The European Union's Eastern neighbours after the Orange revolution
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Editor: Dr. Atis Lejiņš, Director, Latvian Institute of International Affairs

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*Note:* Each paper has its individual footnoting style.
The LIIA is a private, non-profit, non-governmental organization established in 1992 for the purpose of analyzing Baltic security issues. This monograph is the result of a one-year research study funded by the Latvian Ministry of Foreign Affairs in 2005. A working seminar funded by the Friedrich Ebert Foundation in the Baltic States in cooperation with the German Institute for International and Security Affairs (SWP) was held at the end of 2005 in Riga within the framework of the Baltic-German dialogue. The result is this publication.
INTRODUCTION

Dr. Atis Lejiņš, Director, Latvian Institute of International Affairs

THE EUROPEAN UNION'S EASTERN NEIGHBOURS AFTER THE ORANGE REVOLUTION

This is the second study of the eastern dimension of the EU conducted by the Latvian Institute of International Affairs. The first study “An Enlarged Europe and Its Neighbourhood Policy: the Eastern Dimension”, can be accessed at www.lai.lv.

This study focuses on the “in-between” countries of Moldova, Ukraine and Belarus after the Orange revolution. It deals with the eastern dimension of the European Neighbourhood Policy (ENP), which arose when Europe became “whole, free, and united” after the successful EU and NATO double enlargements. The EU found itself with a vast new border that had to be not only managed and defended as a system corresponding to the overall norms and needs of the union, but a policy needed to be devised and implemented with the lands beyond the “new frontier”. Further enlargement was put on hold.

The response adopted was the classical response of any empire that had reached the zenith of its expansion - to defend the status quo and avert dangers that could arise on the periphery. As stated in the European Security Strategy A secure Europe in a better world adopted by the EU in 2003, the “task is to promote a ring of well governed countries to the East of the European Union and on the borders of the Mediterranean with whom we can enjoy close and cooperative relations”.¹ This policy could have been taken from the annals of the Roman empire during the heyday of Pax Romana.

Yet the devil, as Faust always reminds us, is in the detail. Conditions in the bordering countries are what they are and, furthermore, with regard to the eastern dimension of the ENP we have the presence of Russia, the successor state of a former empire called the Soviet Union, now striving to reassert itself as a global player and regain lost influence and power. In this, Russia has developed a specific “near abroad” policy, which we could call, with reference to the topic of this study, the western dimension of Russia's Neighborhood Policy (RNP).

Inadvertently we are reminded of the situation prevailing in Europe between the two world wars: mainly of Germany and the Soviet Union, two power poles unable to agree on what to do with a belt of countries in central and east Europe wedged between them. Of course, the situation is radically different thanks to the EU, which, with a little help from NATO, has developed into the greatest peace and security project in European history. But – has thinking developed along the same lines? One can-

¹ The strategy can be accessed at www.iss-eu.org
not but note that the term *zwischen-raum laender* comes from the inter-war period and that they, because of their accession to the EU, have been replaced by another group of *in-between countries* further to the east and south east, and that the two poles today are the EU and the Russian Federation.

The issue at hand, and which looms in the background of this study, is that the “Copenhagen criteria”, which forms the backbone of the ENP and its Action Plans, and the “Moscow criteria” (various Russian documents pertaining to security and foreign policy) underlying the RNP diametrically differ from one another but are being applied to the same belt of countries bordering the EU and Russia. If this difference can be summarized in one catchword it would be: the EU wants a ring of friends, Russia a ring of clients.\(^2\)

These two sets of contradictory policies are increasingly pressing their way into the public and policy makers’ radar screen. After the Rose and Orange revolutions and the gas wars initiated by Russia against Moldova, Ukraine, and Georgia, as well as the recent election farce in Belarus, one must raise a fundamental question that arises from the growing body of research on the eastern dimension of the ENP, mainly, where is the Common Foreign and Security Policy (CFSP) and where are the ESDP missions one could expect in such territorially fractured countries like Moldova and Georgia?

If we try to answer this question we reveal how different can be the thinking in various capital cities of the EU member states. For example, why is not the Border Assistance Mission (BAM) to Moldova called an ESDP mission if it is claimed that the ESDP is becoming a success story?

Does this illogical discrepancy indicate, however sublime, old ways of thinking in spheres of influence by subtle means? By focusing on the ENP in the eastern direction we see the weakness of the CFSP and dangers ahead for the philosophy underlining ESDP operations.

It may be even welcome for a country to be in a sphere of influence if it so wishes and sees this as protection against larger countries, who’s influence is not welcome. For example, the Baltic states, after they were left out of NATO’s first eastward enlargement and were uncertain about their prospects in joining the EU, signed the “Charter of Partnership and Cooperation Between the United States of America and the Republics of Estonia, Latvia, and Lithuania” on January 16, 1998. Without this protective security umbrella it is hard to conceive how the Baltic states would be where they are today.

However, it is another matter if a country is given away to another country. When the *zwischen-raum laender* were carved up into spheres of influence in 1939 we saw the foundation laid for the Second World War, and, later, the Cold War.

If the foreign policy priorities of the EU, as defined by Solana, are the Balkans, the Middle East, and Africa - why not include the eastern dimension of the ENP? Why is the immediate neighbourhood of the union less important than Africa, the former colonial holdings of France and Great Britain? In the German government’s CDU-SPD coalition agreement the USA, France, Russia, Poland and Israel are named as countries with which Germany has special relations. These are the only countries explicitly mentioned; furthermore, Poland, Russia and Israel are newcomers. Germany has never before had special relations with these three states.\(^3\)

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It is welcome to see Poland in this category, but the trick will be how, in the new Ostpolitik after the Schroeder era of giving priority to Russia, conflicting interests and values are reconciled with Poland and the Baltic states, not to speak of the new “in-between” countries. One cannot but note the omission of the Baltic states in the government agreement. If Germany will have special relationships with Russia and Poland, where do the Baltic states come in?

The disconcerting factor in the Schroder -Putin relationship was that Germany pretended that energy deals were purely business deals and this fiction is still maintained in public discourse by some German officials. It seems, however, that the top levels in the Merkel government are coming to grips with the nature of the problem. The Baltic states and Poland have lost maneuverability as transit states and can easily become isolated in the greater scheme of things. Putin’s trips to Hungary, the Czech Republic, in the beginning of March, and soon after to Algeria (France’s “near abroad”), with offers of grand energy deals, demonstrate that Russia is playing the energy politics card without apologies; the BBC Radio World News commentary of Putin’s trip to the former Warsaw Pact states offering lucrative energy projects in return for recognition of Russia’s sphere of influence in the “in-between” countries can hardly be much off the mark.

Making Hungary an energy hub for Europe could circumvent Ukraine, just as the Baltic Sea pipeline project could circumvent the Baltic states and Poland. For them this is a fundamental problem, and it is not of their doing. The first reaction of the Baltics was to agree to build jointly a new nuclear power station to replace the Soviet-era Ignalina station, which, under EU pressure, now is being phased out, but agreeing is one thing - doing is another. Already the Baltics are split with regard to the Baltic Sea pipeline - Latvia now wants a connection to the pipeline in order not to become isolated - but none are drawing up serious plans for renewable energy resources, which are in ample supply. According to unofficial government estimate in Latvia, these would make up 30% of Latvia’s energy needs, not including the water powerplants which supply 50% of all energy needs.

It is an open question today how Germany’s new Ostpolitik will be formed and how it will interact on the CFSP and ESDP. The fiasco with the lifting of the arms embargo against China showed how little there is of the second pillar upon which the EU rests. Clearly Ostpolitik must be forged within the context of revived Atlantic relations and the “shrinking” of the West in the Asian century. Although the present US administration supports European unity, the problem is that Europe is not showing much of a consolidated policy in return. Condoleezza Rice’s speech at Georgetown University in January when she noted that there wasn’t much sense in having almost as many diplomats in Germany as in India speaks volumes. Finding a common voice with the rest of Europe and the USA with regard to the “in-between” countries can make Europe and the West stronger and better withstand Russia’s attempt to make the EU more dependent on Russia than Russia on the EU.

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The European Union’s Eastern neighbours after the Orange revolution
EU- RUSSIA RELATIONS: CHALLENGES AND PERSPECTIVES AFTER THE ORANGE REVOLUTION IN UKRAINE

Dr. Dzintra Bungs, Senior Research Fellow, Latvian Institute of International Affairs

There seems to be general agreement that since the Orange Revolution in Ukraine in late 2004, the political relations between the European Union and the Russian Federation have waned, despite some areas of development. While the economic relations, in general, have fared better, there is now, in the early days of 2006, serious concern that even these may not be on as sound a footing as one would want. Some of the problems became strikingly apparent during the Russian-Ukrainian gas dispute, which took a dramatic turn in late December 2005. On 1 January 2006 Russia’s Gazprom shut off the flow of gas to Ukraine; this affected the flow of gas not only to Ukraine, but also to Western European countries. Subsequent reduction of gas flows to Austria, Hungary, Italy and Croatia later that month raised the level of alarm, even if one could sympathise with the initially provided explanation for this reduction: increased domestic demand due to extremely cold weather in Russia. All this has undermined Russia’s reputation as a reliable supplier of energy and prompted a reassessment of the Union’s energy policies and its reliance on Russia for energy resources, especially gas.

Nonetheless, the decline in EU-Russia relations does not specifically derive from the recent developments in Ukraine. These events are symptomatic of broader trends and developments. What is more, the beginnings of the decline predate the Orange Revolution. At the same time, Russia’s efforts to influence the political life in Ukraine prior to the presidential elections of fall 2004, as well as during and after the Orange Revolution, have undoubtedly contributed to further cooling the relations between the Union and the Russian Federation.

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1 In this paper the European Union will be referred to also as the EU, the Union, and occasionally as Brussels. The Russian Federation will also be referred to as Russia, and occasionally as Moscow.

2 According to an AFP dispatch of 3 January 2006, the following countries reported almost immediate reductions (indicated in percentage after the countries named) in the supply of gas from Gazprom: Austria 33%, France 30%, Germany - reductions reported but amount not made public, Italy 24%, Poland 38.5%, Croatia 33%, Hungary 33%, Slovakia 30%, Romania 25%. Subsequently, the Russian authorities blamed Ukraine for this: allegedly Ukraine had diverted some of the gas intended for transmission abroad for its own needs. The Ukrainian authorities firmly denied these allegations (Interfax 3 January 2006).

3 A few days after this initial explanation from Russia (Reuters, 19 January 2006 and Interfax, 21 January 2006), Gazprom insisted that Ukraine was entirely to blame for the reduced flow gas to Central Europe (Interfax, 23, 24 and 26 January 2006) because Ukraine had allegedly siphoned off the gas it needed in order to cope with the cold weather there. Though this may or may not be the full explanation, it should be recalled that President Putin told RIA Novosti on 16 January 2006, that the gas supplies to Europe were not dependent on Russia’s relations with Ukraine and that the previous problems had been resolved in the two Russian-Ukrainian agreements concluded earlier in January.
Disenchantment in Europe with President Vladimir Putin’s leadership of the Russian Federation set in gradually and it stems primarily from divergent perceptions of what should serve as the basic principles of European relations. The EU places great importance on common values - these include democracy, human rights, the rule of law, as well social cohesion, sustainable economic development, market economy, free movement of labour, goods, services, and capital - while recognising that interests also matter. Russia, however, has been increasing emphasising its interests and disregarding European values, even while paying lip service to them. Illustrative of this is President Putin’s statement to the press at the time of the visit of German Chancellor Angela Merkel to Russia: "Russians are the biggest supporters of developing democracy in Russia." Yet two weeks later Putin was arguing for strong presidential rule of his country, as opposed to parliamentary rule: "Taking into consideration the developing economy, ever strengthening statehood and the formation of the final principles of federalism, I am sure that we need strong presidential rule."

After becoming president on 31 December 1999, Putin gave the impression that he was trying to overcome the chaotic conditions that prevailed in his country during President Boris Yeltsin’s presidency and was trying to establish order and aiming for democratic reforms. This turned out to be at least a partial misconception that became evident already during the second half of Putin’s first term as president of the Russian Federation. Subsequently, especially after Putin was re-elected on 12 March 2004, the course of Russia’s development has elicited considerable concern in the West.

The Open Letter to the Heads of State and Government of the European Union and NATO, issued on 28 September 2004 by 115 prominent European and American politicians and foreign policy experts, illustrates this; according to the authors, "... the present Russian leadership is breaking away from the core democratic values of the Euro-Atlantic community. All too often in the past, the West has remained silent and restrained its criticism in the belief that President Putin's steps in the wrong direction were temporary and the hope that Russia would soon return to a democratic and pro-Western path.... The leaders of the West must recognize that our current strategy towards Russia is failing. Our policies have failed to contribute to the democratic Russia we wished for and the people of this great country deserve after all the suffering they have endured. It is time for us to rethink how and to what extent we engage with Putin’s Russia and to put ourselves unambiguously on the side of democratic forces in Russia."

Though there have been some dissenting voices, among Western observers of Russia these have lately been in the minority. One of the dissenters is Vlad Sobell of Daiwa Institute of Research in England; he argues that “Russia is successfully evolving its own democracy and a market economy and it will protect the stabilizing gains, which have materialized since the arrival of President Putin.”

The specific explanations for the current state of relations between the Union and Russia are numerous and varied. They can be divided into two broad categories, reflecting the vantage points of the two partners: the situation of the EU and how it perceives Russia, on the one hand, and the situation of the Russian Federation and how it perceives the European Union, on the other hand. Owing to the vastness of the subject matter and the constraints of time and space, this study will deal primarily with the European Union and how it views its relations with Russia. It will consider both the political and the economic aspects of relations, including the role of energy. In view of the inter-relatedness of the sub-

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5 Interfax, 31 January 2006.
6 Sobell, V. The re-emerging Russian superpower. Published on 20 January 2006; see http://www.russiaprofile.org/cdi/2006/1/20/3094.wbp.
ject matter, a strict segregation of topics will not be feasible. Where possible and relevant, the study will consider, albeit briefly, the EU's relations with Russia from a Russian perspective. The emphasis will be on contemporary times. In the concluding segment, the paper will seek to delineate some possible directions in which the EU-Russia relations might develop in the short and middle term and what implications they might have for the Baltic States, especially Latvia. Since the current Partnership and Cooperation Agreement between the European Union and the Russian Federation expires in 2007, throughout the study issues and factors will be raised that merit consideration while mulling over the kind of bilateral framework agreement on EU-Russia relations that Brussels would want to propose to Moscow.

THE STATUS QUO IN THE EUROPEAN UNION

The European Union is still adjusting to its own enlargement of 1 May 2004 when membership increased from 15 to 25 countries. This is particularly evident from its efforts to find a common voice on how to deal effectively with fundamental internal issues, such as the budget and the free movement of labour, and important issues of external relations, such as a common policy toward Russia.

Furthermore, the endeavours to provide a legal underpinning for an EU of 25 or more and a clear and comprehensive statement of what the Union is and what it stands for came to a halt in spring 2005, when the majority of voters in France and the Netherlands rejected the Constitutional Treaty. Subsequently all EU member states were asked to engage in reflection on how to proceed. The resulting sense of uncertainty about the future of the Union has also exacerbated the feelings that the officials in Brussels are out of touch with the people whom they are supposed to represent and for whom they are supposed to work, that the Union is far, far away from the people living in “Home Town, Europe”. Though the European Commission is aware of these problems and is seeking solutions, the results so far are modest. The Austrian presidency of the EU has announced its readiness to try to bridge the gap between the organisation and the people and work toward overcoming the impasse stemming from the partially ratified Constitutional Treaty. In mid-January 2006 the European Parliament passed a resolution in favour of further discussions of the Constitutional Treaty so that it could take effect in 2009. Just how this will happen remains unclear.

Thus in early 2006, the EU is a much larger organisation than it was two years ago. Its regional and global interests have expanded and become more clearly defined. Implementation of the European Neighbourhood Policy (ENP) started immediately after the adoption of the ENP Strategy Paper on 12 May 2004. This policy, envisaged as promoting a “ring of friends” around the Union, is addressed not only to the countries adjacent to the EU borders but also to more distant countries in the Middle East, the Caucasus and Northern Africa. Intended to work in the spirit of the ENP is also the Network of Eastern External Border Regions (NEEBOR), a “bottom-up” initiative involving 40 cross-border regions. The first seminar took place in Brussels on 8 December 2005. The NEEBOR aims to improve cooperation across the EU’s 5500-kilometer-long eastern border, prevent the emergence of new dividing lines and secure a zone of prosperity and harmony after the Union’s enlargement in 2004.

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7 For more detailed and up-to-date information about the Constitutional Treaty, see http://www.euractiv.com/Article?tcnuri=tcm:29-151769-16&type=News.
8 For up-to-date, basic information, see the ENP home page http://europa.eu.int/comm/world/enp/index_en.htm; for a discussion of the development of the ENP, see Dzintra Bungs, „The EU and NATO: Their Policies Toward Neighbouring Countries, Especially Countries of Central Europe, the South Caucasus, and the Russian Federation,“ in An Enlarged Europe and Its Neighbourhood Policy: the Eastern Dimension, Riga: Latvian Institute of International Affairs, 2004, pp. 6-23.
Commenting on the Union’s interest in its neighbourhood, Marc Franco, Head of the European Commission Delegation to Russia, explained to journalists in Moscow that the European Union acknowledges that Russia has legitimate interests in the territory of the Commonwealth of Independent States and that the EU is willing to cooperate with various associations of countries in that region; nonetheless, the former Soviet republics are EU neighbours as well, and therefore the Union is also interested in developing good and neighbourly relations with them. As for the EU’s global interests, Javier Solana, High Representative for the Common Foreign and Security Policy and Secretary-General of the Council of the European Union, stated that the EU foreign policy priorities for 2006 are the Balkans, the Middle East and Africa.

Clearly, the EU has a vision that transcends its boundaries. This said, the fact that in early 2006 the EU is still working on becoming a consolidated, cohesive organisation should not be forgotten. Thus, it would seem that in spite of the high hopes of those who drafted the Constitutional Treaty and the ambitions of its leaders, the European Union does not yet have the wherewithal to be the kind world player that its leaders want it to be.

... AND RUSSIA

The Russian Federation is also undergoing a transformation. On the whole the changes occurring in Russia are very different from those taking place in the European Union, although both the EU and Russia are striving to enhance their stature as principal players in the global arena.

Looking at Russia from a Western perspective, what stands out in particular is the growth of economic stability on the one hand and the ever-increasing political authoritarianism on the other hand. The latter is evident from a systematic curtailing of democracy in the civilian realm, return to the traditional top-down federal system (i.e. the “power vertical”), greater state control of the economy, and the continuing predilection for force as the preferred means for conflict resolution in Chechnya and elsewhere within the Russian Federation’s borders. Such impressions are also held in Russia. According to Mikhail Gorbachev, former head of state of the Soviet Union, “Russia today is reminiscent of the Brezhnev era, which led to neo-Stalinism - Stalinism without political reprisals, but with persecution and total control.”

At the same time Russia is seeking not only to reintegrate the former Soviet space and re-establish its primacy there, but also to expand its sphere of influence beyond the borders of the former USSR. While the Commonwealth of Independent States is becoming more and more ineffectual, new regional organisations are being formed, such as the Collective Security Treaty Organization, the Shanghai Cooperation Organization, and the Eurasian Economic Community. Thus Moscow is also striving to secure its position as the leading power in Eurasia.

During his second term as president, Putin has been working hard to expand Russia’s ties both with the countries in the West and the countries and organisations in the Middle East and Asia, especial-

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10 Interfax, 5 January 2006.
11 For the full text of Solana’s speech on EU foreign policy priorities for 2006 which he delivered to Institute for Security Studies in Paris on 26 September 2005, see http://www.iss-eu.org/activ/content/speech05-10.pdf.
12 Russia’s current turn toward authoritarianism is discussed in “Slovo/Word,” by a leading Moscow philosopher, Professor Vladimir Kantor, who is an editor of the Academy of Sciences journal “Voprosy filosofii”; see http://magazines.russ.ru/slovo/2005/48/kal.
13 Gorbachev was speaking at a roundtable conference on the 50th anniversary of the 20th Communist Party congress in Moscow; see Interfax, 16 February 2006.
ly China, India and Japan. Furthermore, he wants to prove that Russia can carry out capably its duties at the helm of the G-8 and that it deserves to become a full-fledged member of the World Trade Organization. At the same time, the Kremlin is deeply aware of Russia as the successor state to the USSR. Wishing today’s Russia to enjoy the superpower status once held by the Soviet Union, President Putin’s government is seeking to establish the Russian Federation as a world power. All these ambitions are being pursued primarily by economic and political, rather than military, means; lately, the preferred instrument has been energy.

**BASIC DOCUMENTS AND FRAMEWORK OF EU-RUSSIA RELATIONS**

The European Union does not have a single, comprehensive and fully coordinated policy toward Russia. Instead, how the Union relates to Russia is determined by a mixture of policies: those emanating from Brussels and those formulated and implemented by the individual member states. The individual policies are shaped by each country’s interests and mirror that country’s historical experience not only of the Russian Federation, but especially of the Soviet Union. Thus, most of the new EU members, since they were once either a part of the Warsaw Pact or of the Soviet Union, have a more cautious and more critical perception of Russia than do most of the 15 older members of the Union.

While calls for a coherent and common policy toward Russia increased once again after the Union’s enlargement in May 2004 and movement in this direction appears to have accelerated somewhat in January 2006, the EU is still far from a consensus on what such a policy should be and how it should differ from earlier conceptual agreements (including the Common Strategy on Russia, which was adopted by the EU in 1999 and which expired in 2004) between the Union and Russia. The fact that there is no single policy and that there are different viewpoints among the EU member states toward Russia is not overlooked by Moscow, which tends to utilise the differences to advance Russian interests in Europe.

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14 See Sergei Karganov’s wide-ranging essay, „New Contours of the World Order” Russia in Global Affairs, October-December 2005, http://eng.globalaffairs.ru/numbers/13/963.html . See also the article by Sergei Kolchin of the Institute of International Economic and Political Studies of the Russian Academy of Sciences, “Davos: Russia is looking East” published by RIA Novosti on 31 January 2006. According to Kolchin, Russia wants to be a principal guarantor of global energy stability; with this in mind, Russia has been reviewing the realities of global energy consumption and its own export interests and its sights are set toward the East, especially to India and China.

15 As the experience of the Baltic States shows, Russia has used its energy resources to try influence the foreign and security policies of its neighbours already since 1990. See Keith C. Smith, Russian Energy Politics in the Baltics, Poland, and Ukraine. A New Stealth Imperialism?, Washington DC: Center for Strategic and International Studies, December 2004. See also Alexander Rahr, “Wohin steuert Putin Russland?”, GUS Barometer Nr.38, Berlin: Körber-Zentrum Russland, July 2005, http://www.dgap.org/Publikationen/GUS-Barometer/ . Commenting on statements by foreign observers that Moscow uses its economic power to advance political interests, Russia’s Minister of Foreign Affairs, Sergei Lavrov, said that “such an interpretation sounds as if Russia has violated all rules of international law. In reality, the use of the economic resources of a state in its external policy is not extraordinary. On the contrary, every normal state should use its advantages, economic and otherwise, in order to pursue external policy in the interest of self-security, in the interests of raising living standards.” (Interfax, 20 January 2006).

16 This view is not shared by Javier Solana, High Representative for the Common Foreign and Security Policy and Secretary-General of the Council of the European Union. In the discussions following his speech on EU foreign policy priorities for 2006 delivered to Institute for Security Studies in Paris on 26 September 2005, Solana said that Concept of the Four Common Spaces represents the Union’s common policy toward Russia.

17 Moscow responded in 1999 with the Russian Medium-Term Strategy on EU relations. For more information about the two policy statements, see <http://www.europa.eu.int/comm/external_relations/ceeca/com_strat/index.htm > and <http://europa.eu.int/comm/external_relations/russia/russian_medium_term_strategy/index.htm >. See also the excellent study by Rolf Schuette, EURUSSIA RELATIONS: Interests and Values- A European Perspective, published by the Carnegie Endowment for International Peace in December 2004. This study will be referred to in subsequent footnotes by the author’s surname.
According to the Union's home page on relations with Russia, “The EU’s main objective is to engage with Russia to build a genuine strategic partnership, founded on common interests and shared values to which both sides are committed in the relevant international organisations such as the UN, Council of Europe, and OSCE, as well as with each other in the bilateral Partnership and Cooperation Agreement: in particular democracy, human rights, the rule of law, and market economy principles.”

The relationship started as a partnership, but in recent years it has been called by both sides a strategic partnership. The change in terminology implies an upgrading of relations, yet there has been no official statement to confirm such an interpretation. Thus, what is meant by a strategic partnership or a genuine strategic partnership remains unclear. In our discussion, however, we shall not tackle this problem of terminology; instead, we shall focus on the principal elements that constitute the existing relationship according to the documents that both sides have endorsed.

Of all the bilateral documents - these could be divided roughly into four types - concerning EU-Russia relations, the principal one is the Partnership and Cooperation Agreement (PCA) between the European Union and the Russian Federation; it was negotiated and agreed upon by representatives of both sides and came into effect in December 1997. Subsequently two protocols necessitated by EU enlargement were appended: the first one is related to Sweden’s, Finland’s and Austria’s accession of the EU and it entered into force in 2000. The second one – related to Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia - was adopted on 27 April 2004, shortly before their scheduled accession on 1 May 2004. The last minute negotiations were necessary because Russia did not want to treat all the new and old EU members in the same way. The EU rejected such differentiation and insisted that the PCA with Russia applies to all EU member states in the same way.

The basic PCA consists of 112 articles. The agreement provides guidelines for wide-scale cooperation and deals with many specific areas, including political dialogue; trade in goods and services; business and investment; financial and legislative cooperation; science and technology; education and training; energy, nuclear and space cooperation; environment; transport; culture; and cooperation on the prevention of illegal activities. Nonetheless, the bulk of the basic text and the appended materials deal with specific aspects of economic cooperation.

19 The EU-Russia PCA was elaborated in 1994 and ratified in 1997; for the full text, see http://europa.eu.int/comm/external_relations/ceeca/pca/pca_russia.pdf. Because it was the first such agreement between the Union and an individual country, it served as a model for the PCA’s that were subsequently signed with other countries. The second PCA was with Ukraine and it took effect in March 1998.
21 The protocol of 27 April 2004 also includes topics of particular concern to Russia: exports of aluminium and steel, antidumping, veterinary certificates, agricultural products, nuclear materials, transit of goods to Kaliningrad, no EU limits to imports of fossil fuels and electricity from Russia, recognition of long-term energy contracts, phasing out of noisy aircraft, facilitated visa issuance between Russia and acceding states, visa-free travel as long-term perspective, readmission agreement, and an indirect reference - via the mention of the protection of human rights and minorities - to the situation of Russian minorities in Baltic States. See http://europa.eu.int/comm/external_relations/russia/russia_docs/protocol_0404.htm, and http://europa.eu.int/comm/external_relations/russia/russia_docs/js_elarg_270404.htm.
22 The entire accord, however, is a rather confusing assortment of documents adopted at different times. Some supplements to the basic agreement (including Protocol 1 on the establishment of a coal and steel Contact Group and Protocol 2 on mutual administrative assistance for the correct application of Customs Legislation) 10 annexes, a Final Act with Joint Declarations and Exchange of Letters concerning specific articles of the basic agreement are appended to the basic agreement. Other texts, such as the Rules of procedure for the dispute settlement provisions of the PCA adopted in April 2004, are published separately.
The introduction and the first two articles state unequivocally that the partnership is based on common values; according to Article 2:

"Respect for democratic principles and human rights as defined in particular in the Helsinki Final Act and the Charter of Paris for a New Europe, underpins the internal and external policies of the Parties and constitutes an essential element of partnership and of this Agreement."

The PCA then proceeds to set forth the institutional framework for the relations between the two sides. The scope of regular contacts and joint activities of the Union and Russia is very broad and includes the following:

- two summits each year,
- a Cooperation Council that was upgraded to the Permanent Cooperation Council at the St. Petersburg Summit in May 2003,
- Cooperation Committee (of senior level officials) with 9 sub-committees
- Parliamentary Cooperation Committee
- frequent opportunities for high-level political dialogue.

The PCA provides the legal base for EU-Russia relations for a period of ten years. Its contents, however, no longer reflect adequately or clearly the scope and direction of current relations. Given the varied content of the documents related to the PCA, what is sorely missing is an "umbrella" document that provides an overview of the valid accords and restates the basic principles of cooperation. Thus, in 2007 both sides will have to decide whether to renew the existing document for another year, modify it, or reconsider the entire basis of their relations and draft an entirely new accord.

Another major, jointly drafted and mutually agreed upon document between Russia and the Union is the concept of the Four Common Spaces. It is intended to reinforce cooperation under the framework of the existing Partnership and Cooperation Agreement. Unlike the PCA, where so many paragraphs are devoted to elements of economic cooperation, the concept of the Four Common Spaces puts greater emphasis on various aspects of promoting and implementing European values. The four parts of the concept - common economic space; a common space of freedom, security and justice; a space of cooperation in the field of external security; as well as a space of research and education with culture not excluded - serve as a reminder of the so-called pillars buttressing the European Union. The concept was endorsed by the EU and Russian leaders at their summit in May 2003 in St. Petersburg. Two years later, at the summit in Moscow in May 2005, the so-called Road Maps were adopted which set specific objectives and envisage specific actions so that the common spaces can eventually become a reality.

On the eve of the subsequent summit in London in October 2005, José Manuel Barroso, President of the European Commission, announced enthusiastically:

“Our close friendship with Russia is taking another important step forward. We will start implementation of the four common spaces which will further strengthen our relationship. Agreements on visa facilitation and readmission will be a very important example of the concrete benefits that the European Union - Russia relationship can bring to our citizens.”

24 For a review of joint EU-Russia activities, see http://europa.eu.int/comm/external_relations/russia/intro/index.htm.
25 For more detailed information, see http://europa.eu.int/comm/external_relations/russia/intro/index.htm.
Though Barroso’s remarks might create an overly positive impression of the actual level of implementation of the Four Common Spaces and the state of relations between Brussels and Moscow, the London summit did bring progress on easing visa restrictions, dealing with readmission, and addressing some important economic issues. The Energy Permanent Partnership Council held its first session on the eve of the Summit; the participants focused on cooperation related to energy security, energy efficiency, energy infrastructure, investments and trade-related energy issues. In December 2005, the European Commission’s Vice President and Commissioner, Günter Verheugen, and Russia’s Minister of Industry and Energy, Viktor Khristenko, were able to sign documents establishing two permanent frameworks for addressing major, outstanding issues: a regulatory dialogue to promote the harmonisation of technical regulations on industrial products and a dialogue on industrial and enterprise policy to improve the administrative, regulatory and investment environment for companies operating in Russia. This is seen as an important step leading toward establishing the Common Economic Space, which aims for a more open and integrated market between the Union and the Russian Federation. Verheugen said that the dialogues are envisioned as „practical mechanisms for eliminating barriers to trade and investment, thereby enhancing the competitiveness of both the EU and Russian economies.”

The third type of jointly drafted and mutually agreed upon documents that deal with the nature of cooperation are the statements of the EU-Russia summits. Though couched in very diplomatic terms, the joint statements do reflect the level of cooperation and agreement existing between the two parties concerning the issues that were addressed.

A fourth category is comprised of the joint accords related to the EU-provided support essentially under the Technical Assistance for Commonwealth of Independent States (TACIS) program. Since 1991, TACIS has allocated EUR 2.6 billion to Russia for projects fostering transition to a market economy and reinforcing democracy and the rule of law. These are very practical agreements, as compared with the PCA, the Concept of Four Spaces, and the Summit statements.

THE NATURE AND SCOPE OF INTERACTION:

The relations between the European Union and the Russian Federation are wide-ranging and multifaceted; therefore, they present a challenge for anyone attempting to survey them. One logical way to describe the scope of EU-Russia interaction would be via the framework of the Four Common Spaces. But since the Four Common Spaces are still in the developmental stage and the concept attempts to be very inclusive, such a framework would bring us too far afield from the focal points of this study. We shall, therefore, proceed with two sets of very general categories: bilateral and multilateral, and political and economic (with a digression on the role of energy).

bilateral...

Bilateral, as the word is generally understood, involves two parties and in this case: the Union and Russia. The formal basis for bilateral relations and their scope were briefly surveyed in the preceding section.


28 The summit statements since the year 2000 are found under http://europa.eu.int/comm/external_relations/russia/intro/summit.htm.
and multilateral

Multilateral relations in this case involve Russia, the Union, and one or more third parties, whether countries or organisations. One example of current multilateral relations is the ongoing discussion, involving different countries and different organisations, about the common efforts to hinder Iran from becoming a nuclear power. Another example is the Northern Dimension program. Wishing to increase the European Union’s interest in Northern Europe, Finland presented its vision of how to achieve this to the European Council convening in Luxembourg in December 1997. The Finns called it the Northern Dimension (ND). Subsequently the rather nebulous vision turned into a concept with many concrete ideas and by 1999 it had its own guidelines and an inventory of activities. The focus of activities ranges from human resources and health, business and infrastructure, cross-border cooperation and regional development, to environment and nuclear safety. Participation in the Northern Dimension is not restricted to EU members or to a delimited geographic territory: “the concept covers a broad and diverse geographic area, stretching from the Arctic and sub-Arctic to the southern shores of the Baltic, and from North-West Russia in the East to Iceland and Greenland in the West.”

Moreover, the United States and Canada participate as observers. Also involved in the Northern Dimension are regional organisations such as the Council of the Baltic Sea States, the Barents Euro-Arctic Council and the Arctic Council, as well as the Nordic Council of Ministers and international financial organisations active in Northern Europe.

The ND activities vis-à-vis and within Russia - these concentrate on the North Western regions and Kaliningrad30 – fall within the framework of the Partnership and Cooperation Agreement. Very soon these activities will be officially recognised as relating also to the Four Common Spaces. This is foreseen in the „Guidelines for the development of a political declaration and policy framework document for Northern Dimension policy from 2007” which were approved by the ND ministerial meeting in Brussels in November 2005. This policy document will be drafted in 2006 and will be in force in 2007. It is intended to be a shared regional policy of „the North of Europe of the EU / Russia Common Spaces although keeping its own specificities, i.e. full membership of Norway and Iceland, special concern about environment and health issues, protection of indigenous peoples, etc.”

As we see from the wide range of ND activities, the political and economic aspects - indeed, all of the aspects covered by the Four Common Spaces - of EU-Russia relations are always present. Therefore, we shall briefly survey the interaction first from an economic and then from a political perspective.

THE ECONOMIC PERSPECTIVE

The European Union started out as an organisation for economic cooperation. Only gradually did it develop as a political power and an organisation that takes pride in being united by common values. Contemporary Russia, however, prefers to regard the Union more in terms of its economic potential than its political authority. As the German diplomat, Rolf Schuette, observes, “Russia’s primary objective has always been to get EU support for the Russian economy’s modernization and integration into the global economy, including through World Trade Organization (WTO) membership, and to get market access for its products. President Putin envisages the modernization of Russia’s economy as essential to Russia’s
regaining its position as an internationally respected power [...] However, Putin seems to know that a quick modernization of Russia is not possible without cooperation from the economically and technologically advanced West - and particularly from the EU, which is Russia’s most important trading and investment partner. The range and intensity of the dialogue indicate a high degree of economic interdependence between the EU and Russia. This economic complementarity is based on underlying facts pertaining to trade and investment and to energy."

The interaction between the Union and Russia in the economic realm is lively and multi-faceted. Since 1995, the trade volume between the Union and Russia has more than doubled. In 2004 Russia ranked as the Union’s fourth most important trade partner. In terms of the concept of Four Common Spaces, the greatest amount progress has been achieved in the elaboration of the Common Economic Space (CES). Among the major issues that have been dealt with by both sides are trade, transport, finances, the consequences of EU enlargement, and energy. Nonetheless, much work is still needed to achieve the EU hallmarks of a free market economy and an economic governance characterised by transparency and accountability.

**The EU’s Main Trade Partners in 2004**
*(ranked according to the percentage of EU’s trade with the world = 100%)*

<table>
<thead>
<tr>
<th>Import Partners</th>
<th>Percent</th>
<th>Export Partners</th>
<th>Percent</th>
<th>Major trade partners</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>15.3</td>
<td>USA</td>
<td>24.3</td>
<td>USA</td>
<td>19.7</td>
</tr>
<tr>
<td>China</td>
<td>12.3</td>
<td>Switzerland</td>
<td>7.8</td>
<td>China</td>
<td>8.8</td>
</tr>
<tr>
<td>Russia</td>
<td>7.8</td>
<td>China</td>
<td>5.0</td>
<td>Switzerland</td>
<td>6.8</td>
</tr>
<tr>
<td>Japan</td>
<td>7.2</td>
<td>Russia</td>
<td>4.7</td>
<td>Russia</td>
<td>6.3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>6.0</td>
<td>Japan</td>
<td>4.5</td>
<td>Japan</td>
<td>5.9</td>
</tr>
</tbody>
</table>


Concerning trade, Russia enjoys the most-favoured-nation status with no quantitative limitations except on some steel products with the EU. Efforts are being made, using various opportunities (including, the Industrialists Roundtable and the agreements related to the CES) to surmount the numerous obstacles (such as veterinary certificates, agreements on fisheries and pharmaceuticals) for EU exports to Russia. An agreement was reached in May 2004 on bilateral issues for Russia’s access to the World Trade Organisation; this, however, has not ended the discussions in Europe and North America about Russia’s qualifications to join the WTO.

The notion of complementarity of the EU-Russia economic relations has recently come up again for scrutiny in Europe, owing in particular to the high degree of European dependence on Russia for gas. The overall trade figures for 2004 reveal both an interdependence and an imbalance. Concerning the trade in goods, Russia is the EU’s third most important partner for imports, and the fourth most important partner for exports. Yet the EU’s imports from Russia amounted to EUR 80.5 billion while exports added up to only EUR 45.7 billion. The bulk (59.4%) of the Union's imports from Russia consists of gas and oil. The lion's share (84.6%) of the Union's exports to Russia are manufactured products. As the following tables indicate, the rest of the imports and exports are of various kinds.

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33 Unless otherwise noted, these and the subsequent figures cited in this section come from the Eurostat trade statistics available via the EU Bilateral Trade relations home page for Russia [http://europa.eu.int/comm/trade/issues/bilateral/countries/russia/index_en.htm](http://europa.eu.int/comm/trade/issues/bilateral/countries/russia/index_en.htm).
The European Union’s Eastern neighbours after the Orange revolution

EU Imports from Russia in 2004
(as percentage of all imports from Russia = 100%)

<table>
<thead>
<tr>
<th>Products (by Sitc Sections)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral fuels, lubricants and related materials</td>
<td>59.4</td>
</tr>
<tr>
<td>Manufactured goods classified. chiefly by material</td>
<td>11.6</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>4.6</td>
</tr>
<tr>
<td>Commodities and transactions</td>
<td>3.8</td>
</tr>
<tr>
<td>Chemicals and related products</td>
<td>3.7</td>
</tr>
<tr>
<td>Machinery and transport equipment</td>
<td>1.4</td>
</tr>
<tr>
<td>Food and live animals</td>
<td>0.7</td>
</tr>
<tr>
<td>Miscellaneous manufactured articles</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: Eurostat, see http://europa.eu.int/comm/trade/issues/bilateral/countries/russia/index_en.htm

EU Exports to Russia in 2004
(as percentage of all exports to Russia = 100%)

<table>
<thead>
<tr>
<th>Products (by Sitc section)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and transport equipment</td>
<td>46.7</td>
</tr>
<tr>
<td>Chemicals and related products</td>
<td>13.8</td>
</tr>
<tr>
<td>Miscellaneous manufactured articles</td>
<td>13.5</td>
</tr>
<tr>
<td>Manufactured goods classified chiefly by material</td>
<td>11.5</td>
</tr>
<tr>
<td>Food and live animals</td>
<td>7.4</td>
</tr>
<tr>
<td>Crude materials inedible, except fuels</td>
<td>1.1</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>1.1</td>
</tr>
<tr>
<td>Animal and vegetable oils, fats and waxes</td>
<td>0.6</td>
</tr>
<tr>
<td>Mineral fuels, lubricants and related materials</td>
<td>0.5</td>
</tr>
<tr>
<td>Commodities and transactions</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: Eurostat, see http://europa.eu.int/comm/trade/issues/bilateral/countries/russia/index_en.htm

For Russia, the importance of the EU as a trade partner has been steadily growing. Now the Union ranks in the first place. In 2004, 53.8% of Russia's imports came from the EU and 52.1% of its exports went to the EU. Regarding foreign direct investment (FDI), the European FDI has been far below its potential owing mostly to the uncertain investment and business climate and a tendency to bend the rules in Russia.\(^{34}\) These factors also help explain the continuing flight abroad of Russian capital. Understandably, the Russian authorities welcome more European capital being invested in the Russian economy. In his “mega” press conference on 31 January 2006 President Putin tried to allay the fears of potential Western investors and denied allegations of renationalising the energy industry and of using state dominance of the energy sector to obtain political goals at home and abroad.\(^{35}\)


\(^{35}\) RIA-Novosti, 31 January 2006. Putin said that the government did not intend to nationalize Russia’s remaining independent energy companies, especially since monopolization of the industry was not in the government’s sights, or the country’s interests. These statements seem to ignore and contradict the structural changes in the Russian energy sector during the past two years; RIA Novosti cites as examples Rosneft’s acquisition of former Yukos subsidiary Yuganskneftegaz and Gazprom’s acquisition of Sibneft. Such changes suggest that the government effectively intended to renationalize the whole industry. Furthermore, according to the Centre for European Studies (CEPS) Gazprom controls around 70% of Russian gas production and enjoys a monopoly situation in terms of exports.
ENERGY FUELS EU-RUSSIA RELATIONS?

Even from this cursory look at EU-Russia trade relations, it is evident that the imbalance derives primarily from the scope of EU’s gas and oil imports. Russia has become the single most important external supplier of natural gas and oil for the EU. Russia provides about 50% of the total gas imported by the EU or 25% of total EU gas consumption, and for over 30% of total crude oil and oil product imports or over 25% of total EU oil consumption.36

The importance of energy in EU-Russia relations has been recognised in Brussels for many years, but especially since 2000. On 30 October 2000 the sixth EU-Russia Summit in Paris decided to launch a regular Energy Dialogue. Energy, in this context, was broadly defined to include not only oil and gas, but also other forms, such as electricity and nuclear energy. As noted in the Joint Declaration of the Summit, the Energy Dialogue envisages an EU-Russia Energy Partnership and anticipates Russia’s ratification of the Energy Charter Treaty which has been in force since April 1998.37 The Energy Dialogue provides

“...an opportunity to raise all the questions of common interest relating to the sector, including the introduction of co-operation on energy saving, rationalisation of production and transport infrastructures, European investment possibilities, and relations between producer and consumer countries.”38

Since it was launched, the Energy Dialogue has worked without much fanfare. European and Russian experts from the private sector and the administrations have discussed investment, infrastructure, trade and energy efficiency issues and proposed ways to resolve them. The experts also prepared an interim report for the first meeting of the EU-Russia Permanent Partnership Council on Energy that was held in London on 4 October 2005. Their work is documented by regular Progress Reports (six, so far) and comprehensive reference texts, such as the Energy strategy of the Russian Federation to the year 2020 and the annual Presentation of Christian Cleutinx, Director, European Commission Coordinator of the EU-RUSSIA ENERGY DIALOGUE (published in 2003, 2004, and 2005).39

The rationale for an EU-Russia Energy Dialogue has been common interest and interdependence. Already in 2000-2001 Russian energy exports accounted, in value, for approximately 45% of the exports to the EU. About 50% of Russian oil exports (crude and products) went to the EU. This represented 20% of the EU’s oil imports and 17% of total EU oil consumption. As for gas, about 63% of Russia’s natural gas exports were delivered to various European countries in the year 2000, while about 35% went to EU countries. Russia has been a generally reliable supplier of energy for the European Union for many years and the European Union has been not only a fine customer but also the principal client for Russian energy exports.40 Clearly, both sides have an interest in enhancing the overall energy security of the continent.

The EU-Russia interdependence concerning energy has been steadily growing. In 2004, the EU-25 countries received from Russia 30% of their oil imports; Norway provided 18%, Saudi Arabia 10%, Libya 8% and other countries 34%. As for gas, Russia was the source of over 50% of the gas imported by the EU-25 countries. Algeria provided 23%, Norway - 22%, and other countries - only 5%.

38 For more information, see http://europa.eu.int/comm/energy/russia/overview/index_en.htm.
39 For the full texts, see http://www.europa.eu.int/comm/energy/russia/presentations/index_en.htm.
40 Ibid.
Seen from a Russian perspective, in 2004, 53% of Russia’s oil exports and 36% of its gas exports were directed to EU-15 countries.\textsuperscript{41}

In order to meet the growing demand for energy both at home and abroad, Russia needs very large foreign investments to develop its hydrocarbon capacities. As President Putin has aptly said, “The energy dialogue is an important aspect of cooperation, that is, deliveries of Russian energy products to central and western Europe and the parallel attraction of European capital investment to develop Russia’s energy sector.”\textsuperscript{42}

THE NORTH EUROPEAN GAS PIPELINE

On 8 September 2005 Russia’s President Vladimir Putin paid a short visit to his friend in Berlin, Germany’s Chancellor Gerhard Schröder. The occasion was the signing of an agreement between Russia’s Gazprom and Germany’s EO.N/Ruhrgas and Wintershall for the construction of the North European Gas Pipeline (NEGP), a 1200-kilometer long gas pipeline under the Baltic Sea. The Russian side would provide 51% of the capital and the German side – 49%. Construction would be completed in 2010. The project foresees branches going to Finland, Sweden and Kaliningrad and the possibility of bringing gas also to Great Britain. The estimated costs are 6 billion US dollars; the exact figure depends on the scope of implementation of the project.\textsuperscript{43}

Though the agreement was well received in Germany, Russia and much of Western Europe\textsuperscript{44}, it was immediately deplored in Poland, Latvia and Lithuania (later also Estonia), because they felt that the NEGP project was ill conceived and failed to take into account other options and opinions. Polish and Baltic leaders characterised the agreement as a political decision, since economically the construction of a pipeline from Russia via Latvia, Lithuania, and Poland to Germany would have been much simpler, less expensive, and less likely to jeopardise the environment.\textsuperscript{45} Equally important is their observation that the NEGP could make the Baltic States and Poland more vulnerable to Russian machinations with the price and supply of gas.

Subsequently, critical opinions about the NEGP could be heard in other European countries - also in Germany, especially in December 2005 after construction had actually begun and it had become known that Schröder, having left politics, had accepted the chairmanship of the board overseeing the project for the German side.\textsuperscript{46} Doubts were voiced about the NEGP in connection Germany’s

\textsuperscript{41} For the full texts, see http://www.europa.eu.int/comm/energy/russia/presentations/index_en.htm.
\textsuperscript{42} Ibid.
\textsuperscript{43} See http://www.spiegel.de/wirtschaft/0,1518,373728,00.html and http://www.spiegel.de/spiegel/0,1518,374002,00.html.
\textsuperscript{44} As Schröder pointed out, the agreement ensures an increased and steady supply of gas for Germany and consolidated German-Russian relations. For Russia, the agreement strengthened its political and economic leverage both in Germany and in Europe, provided a steady source of revenue in the medium term, helped ensure a steady flow of gas to the Kaliningrad Oblast, and reduced the possibility of potential problems stemming from pumping gas through third countries, in this case Ukraine, Belarus, Poland and the Baltic States.
\textsuperscript{45} The Baltic leaders also noted that the Baltic Sea is very sensitive ecologically, its waters change only once every 28 years. They observed that neither Poland, Latvia, nor Lithuania had been consulted on the agreement, which, therefore, smacked of collusion between Germany and Russia. The agreement could serve to marginalize Poland and the Baltic States in European affairs and send a signal to Russia, that these countries are not a part of the EU mainstream. The NEGP would put them at a serious disadvantage vis-a-vis Russia in that they would have to negotiate individually with Russia over the supply of gas; should Russia decide to cut off the supply of oil or gas, as it has done in the past, in order to exert political pressure or economic pressure, the consequences would be very serious. See also http://www.euractiv.com/Article?tcmmuri=tcmm:29-146878-16&type=News.
already substantial dependence on Russia for gas (35% of total consumption in 2004 and projected to increase significantly) and about the wisdom of the European Commission's advisory in 2002 cancelling a previous guideline for EU member states to limit their natural gas imports from a single non-EU supplier to 30% of total consumption.47

Most of the discussions in the Baltic States failed to explain a key question: in concluding the NEGP agreement, had Germany observed the EU's existing guidelines and practices? The answer is a qualified yes. The relevant authorities in Brussels had been informed that such a project was being planned. Furthermore, German and Russian companies could sign this agreement because projects “of common interest” (these include also new energy transport infrastructures) “as well as the choice of routes, are the responsibility of the companies and countries involved.”48 Considered in this context, Chancellor Schröder’s statement that the pipeline “dient deutschen Interessen und russischen Interessen. Ich wüsste nicht, was daran falsch sein sollte,” seems rational.49 Despite the fact that the North European Gas Pipeline relates to other countries and organisations, Schröder considered it mainly as a German and Russian project and largely ignored its European parameters.

Thus, Schröder, and by extension also Germany, could be faulted on two accounts: not having consulted with the other countries directly affected by the German-Russian project and not having discussed the plans with the members of the Baltic Sea Region Energy Cooperation.50 Later the German-Russian agreement was also criticised for boosting rather than constraining the power of Gazprom, which is a state monopoly, and thus demonstrating inconsistency among the EU member states in their adherence to the principles of a free market economy.

This Russian-German agreement and the contentious reactions to it illustrate how energy is intertwined in the complex political and economic relationship not only between the Russian Federation and the European Union, but also between different EU member states and Russia. Such controversies, however, can be prevented. In light of this, the Union needs to develop:
1. a clearer definition of competences: What are the responsibilities of the Union and what are the responsibilities of the individual member state? Where is convergence essential? Where is divergence possible?
2. a genuinely coordinated EU policy toward energy that emphasizes security of supply, competitiveness and sustainability;
3. a common policy toward Russia that would define the common priorities and delineate more clearly the competences of the Union and those of the individual members.

Following up on the third point, here are three specific recommendations made by Michael Emerson, Senior Research Fellow at the Centre of European Policy Studies:
1. At the G-8 level, the EU should initiate a request to be presented to Russia by the old G-7 that it completes the ratification of the Energy Charter Treaty before the midsummer summit to be chaired

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47 The decision was formulated after consultation with member states on 27 September 2002; see http://www.europa.eu.int/comm/energy/russia/issues/hydrocarbons_en.htm.
49 In English: the pipeline „serves German interests and Russian interests; I don’t know what could be wrong with that.” Reuters, 8 September 2005.
50 The BASREC was launched in 1999 by the energy ministers of Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, Russia, Sweden and the European Commission specifically to facilitate consultations on topics such as the security of energy supply in the context of growing dependence from Russia, gas transit routes in the region, electricity and gas interconnections, energy efficiency, climate change, and renewable energies.
by Russia. The seven should also request urgent reactivation of negotiations over the Transit Protocol of the Energy Charter.

2. As a condition of Russia’s WTO membership, the requirements regarding Russia’s domestic energy price policy should be updated. The Energy Charter measures would also be made preconditions for WTO accession.

3. At the EU level, the Commission should prepare proposals for a Gas Security Mechanism (EUGSM), which would treat a non-commercial, non-contractual interruption of gas supplies from a third party to an EU member state as affecting the EU as a whole, and would trigger measures for internal solidarity between EU member states, and diplomatic representations to the third party by the EU in support of its member state. The Commission should analyse what supporting measures would be required to make the EUGSM effective, for example by way of regional gas network connections and legal implications for existing contracts and EU competition policy.  

THE POLITICAL PERSPECTIVE

According to the PCA, the EU-Russia political dialogue should “bring about an increasing convergence of positions on international issues of mutual concern, thus increasing security and stability.” In light of this wide-ranging mandate, the Union and Russia have addressed and tried to settle issues related to international and regional conflicts, including the so-called frozen conflicts, whether in the Balkans, the Middle East, Korean Peninsula, India and Pakistan, or in the CIS countries (particularly Moldova-Transnistria and the South Caucasus). While the results of such collaboration have not been dramatic, the seeking of a common approach by EU and Russian representatives has clearly helped in the handling of difficult problems in the Middle East, the Balkans and Asia. The EU-Russia agenda has also included the development of the Union’s Common Foreign and Security Policy/European Security and Defence Policy (including the idea of Russian participation in crisis management operations) and the role and future development of regional and international organisations, especially the United Nations and the OSCE.

The two sides have dealt with contemporary security challenges and threats stemming from terrorism, extremism, organised crime; trafficking of drugs, human beings and weapons; money laundering; trans-national organized crime; illegal movements of nuclear, chemical, biological, and other materials; and ways to coordinate the resolution of these problems. They have also discussed questions pertaining to disarmament, arms reduction, non-proliferation and control of weapons of mass destruction, as well as the demolition of chemical weapons and disposition of weapons-grade plutonium in Russia. Thus, there is considerable exchange of views and some tangible cooperation. Nonetheless, the creation of a common security space is still a remote prospect. The EU tends to see Russia more as a source of instability and problems that could easily spill over the borders than as a font of opportunity. There are profound differences both in the legislation and the understanding of basic terms, such as terrorism, and these stem from an absence of a common foundation of shared values. However, the principal missing ingredient in all this is trust.

The political dialogue has not been restricted to international issues, but has also covered domestic or internal issues inside the Russian Federation and the European Union, particularly the cases where human rights, rule of law, and democratic norms have been violated. The discussions have been easier and more fruitful when they address situations occurring far away and when neither side has

been directly involved. Conversely, the dialogue has been harder when it focused on, for example, Chechnya or the countries which Russia still considers as its “near abroad.”  

Here the Kremlin has tended to perceive the EU not only as a meddler applying one measuring stick to Russia and its allies and another one to its own member states, but also a rival for influence in its traditional turf, rather than a partner wishing to help solve a problem that affects the bilateral relations and the common neighbourhood. As Dmitri Trenin observes, “The EU’s attempts to influence Russia’s internal development through giving advice, or even offering incentives, has not been successful. Russians simply perceive the EU as intrusive and arrogant. The EU, meanwhile, complains about a lack of cooperation on the part of Russia and it also worries about the erosion of democratic standards. Such concerns have fuelled a lively debate about the so-called value gap between the EU and Russia.”

**COMPETITORS OR PARTNERS?**

Rolf Schuette, in his monograph on interests and values in EU-Russia relations, offers a European perspective on this debate. He points out that the EU places great importance on a partnership where both sides can discuss openly and deal with controversial issues. Thus, a refusal or inability to address a question can be regarded as undermining the basis of the strategic partnership, the notion of the political dialogue and cooperation within the Concept of the Four Common Spaces. Schuette argues that, “If thinking in terms of zero-sum games or chasse gardee, of competition instead of cooperation, prevails in the political field, it would be difficult to speak of a “strategic partnership,” irrespective of what has been achieved in economic and trade cooperation, in energy complementarity, or in the fight against global threats.”

Currently, the competitive aspect in EU-Russia relations appears to be on the rise. Both sides are recognising that they are global players wanting to enhance their own global standing. Both sides are rather disenchanted with their current relations and both realise that the steps that they have taken so far have not brought the kind of rapprochement they expected. At the same time, neither side has formulated its strategic goals in the relationship with the other side, a factor that has fostered the perception that the relations are simply drifting. Although this impression is not ungrounded, it should be recalled that Russia has been following rather consistently the policies affirmed in the “Medium-term Strategy for Development of Relations between the Russian Federation and the European Union (2000-2010)” of June 1999 (i.e. before Vladimir Putin became Russia’s president) and the Foreign Policy of the Russian Federation, which was endorsed by President Putin in 2000. For its part, the Union appears to have been consistent in trying to repackage with varying degree of success the notions in its Common Strategy on Russia (1999). It is this document that impelled Russia to reply by a document of its own, namely the just cited Medium-Term Strategy.

The EU wants to achieve rapprochement with Russia and other countries by persuading them of the benefits of accepting the European common values, of behaving according to the same rules of political and economic conduct. The catch-word that is frequently used is integration. In Moscow

52 For example, Russian representatives have repeatedly accused the EU of casting a blind eye to the violations of the rights of the Russian-speaking population in Estonia and Latvia, while the EU has been fending it off such criticism because both Estonia and Latvia are abiding by EU norms. Most of these exchanges have taken place at the Parliamentary Assembly of the Council of Europe.


54 Schuette, ibid.

55 For the full text, see http://europa.eu.int/comm/external_relations/russia/russian_medium_term_strategy/index.htm.

56 For the full text, see http://www.europa.eu.int/comm/external_relations/ceeca/com_strat/index.htm.
integration is often (though not always\textsuperscript{57}) seen as being aimed at wringing economic and political concessions from Russia and at extending European, as opposed to international, norms to Russia.

Thus, there is a divide between the European Union and the Russian Federation and it appears to be widening. And this, in turn, raises a number of questions about the best way to react to this situation, including: Is a reaction necessary or advisable? How to straddle the growing divide? How to reconcile partnership with rivalry, common values and interests? Which issues are the crucial ones? Where should one start?

**THE NEXT PCA? SOME REFLECTIONS**

Here I would suggest that we put the questions regarding the future of EU-Russia relations in the context of the EU-Russia Partnership and Cooperation Agreement that expires in 2007. Let us begin by looking at the options emanating from the current PCA and then proceed to consider some views from observers in Brussels and Moscow about what needs to be done in order to place EU-Russia relations in a better framework.

There are three ways to deal with the current PCA:

1. allow it to expire in December 2007; this would not produce immediate or dramatic changes in the EU-Russia relationship, but would probably translate initially into continued peaceful coexistence and entail sorting out and assessing the validity of the existing agreements that refer to the current PCA or stem from it. In the future, the relations might develop in the direction of robust competition.

2. renew it for one year at a time; this would be a stop-gap measure that could be useful in order to gain time for arriving at a more lasting decision.

3. replace it with a new treaty and call it a PCA, Association Agreement, or whatever other name seems suitable. In my view, this is the option toward which one should aim and which urgently requires careful thinking.

Whichever choice is made, certain questions should be considered both in Brussels and in Moscow and hopefully also answered.

The EU decision-makers should come up with a clearer response especially to questions of EU identity, and by extension to enlargement and external relations. The future of the stalled Constitutional Treaty needs to be resolved as soon as possible and if an alternative fundamental agreement is proposed, this should be done without delay. If there is sufficient agreement on parts of the Constitutional Treaty, such as those pertaining to foreign policy, then these should be adopted and utilised. Clarity on this score would help rebuild the confidence of Europeans in the Union and would strengthen the EU’s hand in shaping its external relations. Agreement is also needed on the fundamental question of how the EU envisions itself in the future: a union of European democracies or as a more pragmatically grounded and more variegated association of states, what some political observers describe as *Europepuissance* and others as “common market plus”. A decision should also be made on how far the Union should enlarge. This would have bearing on the drafting of a common EU policy toward

\textsuperscript{57} According to the explanation provided by Sergei Karaganov and his colleagues, “the European Union is characterized by a constant tendency to enforce its own legislation and standards on third countries as a condition for cooperation; the integrationist nature of the EU does not allow it to depart from the set of common standards and rules for fear of its own disintegration; and the internal agenda of the European Union is connected with the need to adapt its new member countries. See the article by Sergei Karaganov, ‘Russia’s European Strategy: A New Start,’ in Russia in Global Affairs, July-September 2005, http://eng.globalaffairs.ru/numbers/12/
Russia and on how the EU and Russia should perceive their common neighbourhood. It would help clarify how Brussels sees Russia’s place in Europe: as a future member of the EU; as a privileged associate of the EU but with no possibility of joining the Union; or as an important country with which the EU would like to have certain specific and formal economic and/or political relations.

Russia also needs to clarify how it sees itself in the future vis-à-vis the European Union. Some Russians - and these are a small minority - see a very gradual integration of their country into the Union and its eventual membership of the EU.

Others, oppose this idea say that it is contrary to the Russian mentality which could not accept the idea that Russia is one of many leading countries inside the European Union rather than a global power in its own right. They argue, therefore, that full-scale EU membership would damage the long-term interests of Russia as a world power and contradicts reality, namely the fact that Russia and the EU are rivals in some areas of international politics, such as the future of the post-Soviet space, and relations with the United States.

Still others, including Sergei Karaganov, toy with the idea of Russia joining the EU when the EU sheds its preoccupation with values and becomes a “common market plus” organisation. This group calls on Russia to “clearly formulate a strategic goal for creating a concrete model of interaction with Europe” and advises against maintaining the existing model of cooperation because it is outdated and would serve to maintain a situation where Russia is reacting to and conceding to the EU’s initiatives. They maintain that the Concept of the Four Common Spaces is not a suitable model for future cooperation. At the same time, they recognise Russia’s affinity for Europe. They explain that Russia is prompted to make the “European choice” on account to the following factors:

First, Russia’s acute demographic crisis, together with its increasing lag behind the advanced countries in terms of technological progress, will inevitably reduce its role as an independent global center of power. In the future, not only will Russia find it difficult to successfully develop on its own, but even simple survival will be a problem.

Second, among Russia’s foreign-policy partners and neighbors, the European Union is the most predictable, civilized and attractive. As for Russia itself, its cultural traditions undoubtedly make it part of Europe.

Third, from an economic perspective Russia is greatly dependent on the European Union.

Some members of the group proposed that Moscow enter into negotiations with Brussels to replace the PCA with a more advanced agreement, which they call a Treaty of Association, while the majority of those who agreed with this view in principle said that it would be too early to start drafting such a treaty at this time “because Russia-EU relations have been hit by a crisis of confidence and systemic differences.” They suggest that

59 Karaganov, ibid.
60 Karaganov, ibid.
“The transition to more advanced relations [...] be accomplished in two stages. First, the parties should work to ‘cool down’ their relations a bit. This would guard them against excessive expectations and [...]disappointments. Furthermore, it is necessary to revise the entire sphere of EU-Russian relations in order to bring the formal framework of their cooperation into line with the political and economic realities. Perhaps it would make sense to give up the idea of the ‘four common spaces,’ or to partially adopt it in a general and non-binding way.

In any case, any reference to integration must be temporarily removed from Russia-EU relations, in particular those references that demand the extension of EU legislation to Russian soil. Russia’s priority must be its adaptation to international, as opposed to European, legislation. Once Russia’s legal norms are brought into line with international standards, it will be able to raise its relations with the EU to a higher integration level. [...]"

Finally, relations with the European Union, which now dominate Russia’s foreign policy agenda, must be temporarily given a less significant place in the hierarchy of Russia’s foreign-policy priorities. This will help Russia and the European Union to achieve a higher level of integration in the future, as they will proceed not from the present negative state of affairs in their mutual relations but from a relatively clean sheet.”

What Karaganov and his colleagues hope to achieve is a new treaty that “would provide for close economic and political relations between two mutually independent economic and political actors of the world stage.”

**CONCLUDING REMARKS: CHALLENGES AND OPPORTUNITIES**

In early 2006 both the European Union and the Russian Federation are trying to assert themselves as global players. They understand that each side is approaching the relations from a different starting point: the EU wants to base its relations with other countries and organisations more on common values than on self-interest. Russia follows a pragmatic, interest-based approach. Thus, President Putin’s government has been steadily pushing the values and rules so cherished by the Union to the proverbial back burner and simply concentrating on the steps that will bring Russia economic prosperity and political stability at home and expanded power abroad.

Will the policies pursued by Putin be followed by Russia's next president? Although nobody is predicting who that person might be, the political climate in Russia seems to suggest that next president will probably not be a democratic reformer or a bold supporter of European values. In any case, the question of the PCA will have to be broached, if not resolved, well before the presidential elections in Russia in 2008.

The signals coming from Moscow are unclear. A few enthusiasts argue for Russia's integration into the Union. The more mainstream opinion-makers suggest that Russia should aim for harmonising its legal norms with international, rather than EU norms; they fail, however, to explain what they mean by the international norms and how these differ from the EU norms. In the same vein, they argue that in the short term Russia should de-emphasise the importance of its relations and restart the relations afresh at some time in the future and bring them to a higher level. Presumably the time would be ripe for this when the Union becomes a “common market plus” organisation and abandons its predilection for
common values as the most effective tie that binds states and organisations. At the same time, they do not propose a temporary downgrading of the economic relations. Some of the same opinion-makers also urge the government to draft an accord to replace the PCA, because Russia would inevitably lose out if it had no accord with the Union. They advise Russia to come well prepared to the negotiating table so as to avoid succumbing to the EU’s arguments.

All this would suggest that Brussels can expect from Moscow a tough bargaining partner on any accords that the EU might like to make with Russia. What is apparent is that President Putin’s government will try to sweep away or water down any references to common values and common rules. Having previously had success with making important agreements affecting a large part or all of the EU with one or a few EU member states rather than the organisation as a whole, Moscow is likely to continue to pursue this tactic. Clearly, Russia is guided by the perception that the EU is a more a competitor, than a partner. This perception is likely to be the dominant one in the short and the medium term.

Knowing this, the EU can act accordingly. Wishful thinking that President Putin’s Russia is just a friendly, if occasionally difficult strategic partner should be replaced by realism and the admission that Russia is a competitor which only sometimes shares the Union’s views of the world and its values. Such an admission, however, does not diminish the importance of cooperation. In fact, clear paths of cooperation are essential and beneficial to both sides. Thus, the EU would do well to start drafting a new agreement to follow up on the Partnership and Cooperation agreement that expires in 2007. While doing so, the drafters of this document should remember that the Union has effective bargaining chips (investments, trade, visas, assistance programs, etc.) and can use them, rather than considering watered-down formulations on the values that underpin the Union in the hope that such compromises would eventually lead to a genuine rapprochement with Russia. In the medium and longer term, EU-Russia relations can only develop and strengthen when they are founded on common values. This means that the EU needs to develop a common foreign policy or at least a new Strategy Paper toward Russia; this policy should be consistent with its values and its policies toward other countries, in spite of the likelihood that Moscow insists on Russia’s exceptionalism.

Considering EU-Russia relations from a Baltic perspective, it is clear that the Union should maintain its emphasis on common values. Moreover, an EU firmly grounded in values and ready to share and promote peacefully and consistently those values to its neighbours would in the long term also secure its own existence and gain stature in the global arena.

For Estonia, Latvia and Lithuania, the current state of EU-Russia relations offers both challenges and opportunities. The chances to reverse longer-term Russian policies and practices that are detrimental toward the Baltic States appear to have shrunk. Serious challenges will continue to come from Russia’s policy to strengthen its control of the transit of goods and raw materials, especially oil and gas, to points within and beyond the former Soviet Union and its policy of development and preferential use of its own capacities. Thus, all three Baltic States will have to seek ever more imaginative solutions to possible long-term under-utilisation of their ports, railroads, and pipelines. Political pressure from the Kremlin will continue in the form of intermittent accusations that Estonia and Latvia are to be blamed for the absence of a border treaty with Russia and for the alleged violations of the rights of their Russian-speaking populations.

On the other hand, the Baltic States can feel heartened that lately the political climate in Brussels has been open to the views of the Union’s new members not only about Russia but also about other countries that were once a part of the Soviet Union. By sharing their experience and expertise, Estonia,
Latvia and Lithuania are making a positive contribution to the practical shaping of the European Neighbourhood Policy in Belarus, Ukraine, Moldova, as well as Georgia, Armenia and Azerbaijan. Similarly, they can offer their experience and expertise in the formulation of a common EU policy toward Russia and in the drafting of the Union's energy policy. Effective use of these opportunities by the Baltic States will serve to enhance their standing and credibility in the Union, strengthen their security and promote their national interests.

As for the European Union, the current decline in its relations with the Russian Federation should also be seen as a mixture of intertwined challenges and opportunities. The principal challenges are: coming up with a sober analysis of the status quo and deciding what to do about it. In a broader sense, this entails a clarification of the Union’s identity and its goals. The opportunity - perhaps this is also a challenge – lies in having the chance to formulate a common policy toward Russia that reflects the views of a Union of 25 members, and drafting a new accord to replace the Partnership and Cooperation in 2007 so that both documents reflect sufficient realism and consistent idealism to allow the bilateral relations to develop along the path of common values and common interests.
REGIONAL RAMIFICATIONS OF UKRAINE’S ORANGE REVOLUTION: TRANSNISTRIAN CONFLICT SETTLEMENT

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The Orange Revolution in Ukraine represents one of the most spectacular and formative developments in the post-Soviet space. It has obviously contributed to considerable shifts in the political landscape of the country. Simultaneously, Ukraine’s transformation has also had international ramifications in the post-Soviet environment, particularly in its closest proximity. Consequently, in the context of the changing regional and international setting the Transnistrian “frozen conflict” has resurfaced in the security debate among policy makers and experts. Several international actors, especially Russia, Ukraine, the OSCE and European Union have been important for regional developments, and are present in the Transnistrian conflict settlement process. Now their stances and relative standings have evidently been influenced by transforming regional dynamics and hence undergo adjustments.

This study addresses the major elements and trends of this shifting regional political, economic and the psychological environment that has formed as a result of Ukraine’s democratisation processes and its Europeanization aspirations. Questions are raised pertaining to the scope of regional repercussions of the Orange Revolution on developments in neighbouring Moldova and its break-away region of Transnistria. Hence, as the Ukrainian events have apparently influenced the regional balance of power, this paper identifies the changing positions, roles and leverages of the involved international actors in the Transnistrian conflict settlement process. It also outlines constraints and opportunities for the prospective resolution of the Transnistrian conflict and endeavours to provide recommendations for the Europeanization of the conflict settlement.

RUSSIA: DECLINING OR CONTINUOUS IMPACT?

The Orange Revolution has re-introduced the question of Russia’s future posture in the region. Russia has been an omnipotent factor in the evolution of the Transnistrian conflict since the break-up of the Soviet Union. The long-term Russian military presence has been vital in Moldova’s fragmentation and Russia’s lingering influence in the region. After the break-up of the Soviet Union, Russia’s 14th Army, stationed in the country, supported the Transnistrian pro-Russian separatist paramilitaries in conflict with Moldova’s central authorities in 1992 by transferring of its personnel and weaponry to the separatists. Russia’s motivation and determination to retain its influence in the region was manifested in the message sent by Russia’s Defence Minister, Pavel Grachev, to General Netkacev, the commander of
the 14th Army in May 1992: “Due to the aggravation of the situation in Transnistria and taking into account that this is Russian land, we must defend it in all possible ways and by any accessible means.” This effectively became one of the ensuing guiding principles of Russia’s policy pertaining to Transnistria. Later, the region was flatly declared as a “zone of special strategic interest for Russia.” Russia retained its military presence in the country and demonstrated a continuous reluctance to withdraw from Transnistria despite the obvious conflict of interests simultaneously being the de facto occupying force of Transnistria and guarantor of peace.²

Russian leadership has paid lip service or openly ignored international criticism and demands to withdraw its troops from Moldova’s break-away region. In July 2004, the European Court for Human Rights clearly indicated that, “the Russian authorities contributed both militarily and politically to the creation of a separatist regime in Transnistria, part of the territory of Moldova. Russia continued to provide military, political and economic support to the separatist regime, thus enabling it to survive [and] strengthening it...The Russian army [is] still stationed in Moldovan territory, in breach of the undertakings to withdraw [it] completely, given by Russia at the OSCE summits in 1999 and 2002...Transnistria remained under the effective authority, or at the very least under the decisive influence of Russia, and survived by virtue of the military, economic, financial, and political support that Russia gave it.”³ In July 2005, the Committee of Ministers prompted Russian authorities to comply unconditionally with the Court’s decision and to facilitate the release of the detainees.⁴ This has allowed observers to justifiably pinpoint to the de facto occupation of Transnistria by Russian forces.⁵ Notwithstanding the international disapproval and repeated OSCE requirements for the troop and military equipment withdrawal, the Russian leadership continues to ensure a permanent Russian military presence in Moldova. Vladimir Chizhov from the Russian Ministry of Foreign Affairs responded clearly to requests for Russian troop withdrawal: “Russia, I stress, has no juridical obligations.”⁶ In December 2005, during the OSCE session in Ljubljana, Russia repeated its refusal to withdraw forces from Transnistria arguing that Transnistrian authorities objected to the withdrawal. Simultaneously, Russian representatives adopted the tactics of eschewing from the troop and armament removal discussions by pointing to the alleged failure of OSCE in implementing “one of the most important commitments adopted at the OSCE Istanbul Summit in 1999,” namely ratification of the Agreement on Adaptation of the Treaty on Conventional Armed Forces in Europe.⁷ Russia had also clearly revealed its reluctance to allow the “internationalisation” of the “frozen conflict” as this would considerably undermine Russia’s relative standing in the region.

References:

3 European Court of Human Rights, Case of Ilascu and others v. Moldova and Russia (application No. 48787/99), 8 July 2004.
Besides taking political advantage of Russia’s military presence in Transnistria, Moscow has also used conventional and rather successfully applied tactics of reaching bilateral agreements with ruling political and economic elites and creating Moscow-oriented interest groups, at the same time weakening pro-western circles as essential tools in increasing its influence. The Transnistrian regime has become an obvious extension of Russian interests in the region and has been deliberately nurtured and supported by the Russian political leadership, militarily, politically and economically. In economic terms, Russia has become Transnistria’s major trade partner (around 24% of the region’s trade turnover in 2004), the key provider of energy sources and investments. Russian companies have actively participated and made acquisitions in the privatisation process of Transnistrian enterprises. The Russian Chamber of Commerce and Industry, which had established its representative office in Tiraspol, engaged in assisting Transnistrian economic units in foreign trade activities.

Simultaneously, Russia has also facilitated signing agreements with Moldova’s government, which have effectively legalized the Transnistrian regime, strengthened Russia’s indirect and direct influence in the political processes of the country and promoted “entrapment” of Moldova in the legal framework of a relationship favourable to Russia. Clearly, by signing agreements with Russia in 1992 and 1997, Moldova effectively accepted Russia’s important formal status and role in the conflict settlement process, despite the fact that Russia had obviously sided with the Transnistrian regime. Moreover, Moldova’s leadership acknowledged Transnistria as an equivalent counterpart in the conflict settlement and granted political and economic concessions to the latter.

Putin’s administration has relied heavily on the practice of creating advantageous domestic balances of power in the post-Soviet countries. It initially supported and sought agreements with Moldova’s communists who came to power advancing a Russian-oriented foreign policy and signalling eventually in becoming Russia’s “client government.” Accordingly, Russia proposed in November 2003 a conflict settlement project included in the so-called Kozak memorandum. Russia’s backed “federalization” settlement would envisage Moldova becoming a federative republic with substantial rights provided to the Transnistria region as a “state-territorial” unit. Such a settlement would increase Russia’s direct influence on Moldova’s political decision-making process as “federalization” would provide a political voice for the pro-Russian Transnistrian leadership. The internal stability was intended to be guaranteed by Russia’s military presence in the country until 2020. The offer, however, was refused at the last moment, as Russia perceived it, due to Western interference.

Without denying the significance of Western involvement on this particular occasion, the Moldovan refusal of Russia’s offer had taken place in the context of gradual but significant shifts in regional dynamics. The “frozen conflict” of Transnistria has been gradually “melted” by various factors. In 2003 and 2004 the United States and European Union began to play a more perceptible and active role in the region. The Orange Revolution even further transformed the character and scope of Russia’s influence in Moldova and Ukraine. The Ukrainian events further attracted international attention to the

8 Trenin, D. „New Priorities in Russian Foreign Policy: The CIS Project” in Andrew Kuchins and Dmitri Trenin (eds.), Russia: The Next Ten Years (Moscow: Carnegie Moscow Center, 2004), 102.
9 For instance, Cucurungan hydroelectric power station in Transnistria, which has the capacity to provide the electricity for the rest of Moldova, has been acquired by Russian RAO EES.
13 More in detail on “federalization” of Moldova as Russia’s attempt to strengthen its influence in the country, see, for instance, Vladimir Socor, “Russian-led, OSCE-mandated peacekeeping: a precedent on its way in Moldova?” Institute for Advanced Strategic&Political Studies Policy Briefings Geostrategic Perspectives on Eurasia, No. 58 (5 April 2004).
region and increasingly facilitated the notion of the necessity of multilateral frameworks for conflict solutions. Moreover, as Ukrainian developments revealed, this region is increasingly becoming a Western and Russian front line of interest collision. Russia’s regional domination has apparently been constrained by several factors. First, Moldova has adopted a course towards the European Union and has demonstrated reluctance in making concessions to the Russian-backed Transnistrian regime. Secondly, Russian relations with Ukraine have cooled after the Orange Revolution. Ukraine is no longer willing to play the role of Russia’s junior partner in settling the Transnistrian dilemma and is strongly inclined to become a major political and diplomatic player in the region. This also coincides with Ukrainian effort to demonstrate to the EU the constructive and influential role of the country in the regional developments. As a result, the Transnistrian authorities increasingly must take into account the Ukrainian position and proposals.

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The Orange Revolution has certainly had a psychological effect on Russia’s understanding of its neighbours. The inadequacy of the previous Russian approach of using bilateral business and political connections in attempting to manipulate domestic politics and sending political campaign “technologists” was clearly manifested in Russia’s failure to ensure the Ukrainian presidency for Viktor Yanukovich in the fall of 2004. In February 2005, Moldovan authorities expelled 11 Russian citizens who were in Moldova as observers for the parliamentary elections, and whom the Moldovan security service accused of interfering in the election campaign and spreading disinformation. As a result, according to Dmitri Trenin, this has led to an increased awareness in Russia for a new approach: “Russia is not disengaging from its neighbourhood, but its mode of engagement is changing. It is increasingly approaching the new countries as full-fledged states, rather than parts of the long-defunct whole, and is being guided by specific national interests.” Trenin believes that instead of territorial expansion, Russia will increasingly resort to economic expansion implemented by business groups driven by their own interests.

Russia undoubtedly retains considerable leverages in the context of Moldova’s asymmetric economic relations with the former. Russia remains Moldova’s major trade partner, investor and labour market for Moldovan guest workers, and, most importantly, provider of energy resources, especially natural gas. Prior to Moldovan parliamentary elections, Russia’s political leadership increasingly gave unequivocal signals to the Moldovan government and its society regarding challenges that Moldova would encounter provided it adopted policies that would be detrimental to Russian interests. In February 2005 the Russian Duma enacted a resolution calling for Russian president Putin and his government to implement limited economic sanctions against Moldova in the perceived context of the “anti-Russian campaign” of Moldova’s government. Russian legislators enumerated such potential measures as imposing restrictions on Moldovan guest labour access to Russia’s job market, boycotting Moldovan agricultural products exported to Russia and increasing Moldova’s payment to world price levels for Russian energy supplies. During the debate, one of the Duma deputies accused Moldova’s president Vladimir Voronin of “treason” for his refusal to sign the Kozak Memorandum in November 2003.

In the aftermath of Moldova’s parliamentary election and re-election of Moldova’s incumbent communist president Voronin, the Gazprom administration made public its decision to double the price of

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15 www.newsru.com, 16 February 2005
17 According to different sources, 300-600,000 Moldovan guest workers are employed in Russia. In terms of energy resources, Moldova consumes annually more than two billion cubic meters of natural gas, which is entirely provided by Russia.
gas for Moldova. As Moldova resisted this dramatic price hike, Gazprom stopped gas deliveries in the beginning of 2006. Gazprom obviously has become one of Russia’s most effective and preferred instruments in applying pressure on the post-Soviet countries, including Moldova. Although Gazprom transports natural gas via Moldova to Romania and would hesitate to sever economic relations, Moldova’s dependence on the Russian gas monopoly manifests in several aspects. Apart from natural gas supplies, Gazprom owns the majority of shares in Moldova Gaz and effectively influences implementation of Moldova’s energy policy. Moreover, Moldova has accumulated a considerable debt for Russian gas supplies amounting to 780 million dollars, including Transnistria’s debt of 560 million dollars. Russia seems to deliberately and continuously pursue the policy of accepting Transnistria’s growing debt for Russia’s gas supplies as this approach strengthens Russia’s standing in Moldova. It allows Russia to effectively subsidize the Transnistrian regime and increase its dependence on Russia, and simultaneously holds a considerable bargaining chip with regard to Moldova’s financial liability in the conflict-resolution process. Moreover, Russia evidently is willing to take advantage of Moldova’s debt and reliance on gas deliveries from Russia to strengthen further its economic presence in the country by establishing control over industrial assets on Moldova’s territory.

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The Orange Revolution in Ukraine has contributed to the transformation process of the political and psychological environment in the post-Soviet space and has had an impact on Russia’s approach in the region, including Moldova and the Transnistrian conflict. The Ukrainian observer Oleksandr Sushko has even concluded that Ukraine’s developments has led to “the collapse of Putin’s neo-imperial renaissance.” The Kremlin is now leaning towards adopting a more moderate tone and avoiding demonstrating blatant pressure. This certainly pinpoints to recognition on the Russian side of the changing environment, growing awareness of new constraints and the necessity for more flexible tactics in the region. In June 2005, Vladimir Putin appealed to the other G-8 leaders, “We need not to turn this CIS space into a battlefield. Rather, it should be a sphere of cooperation.” Russia’s “near abroad” policy prior to the Ukrainian developments revealed its frequently fragmented, ambiguous and contradictory character and continuous vacillation between unilateralism and multilateralism, political and economic priorities and means, rhetorical assertiveness and simultaneous indifferences. As Russia’s foreign policy has largely remained reactive, inconsistent and situational, Russia has effectively simultaneously been pursuing several foreign policies, with elements of both neo-imperialism and post-imperialism in its approach. Undoubtedly, the Orange Revolution has further complicated and confused the Russian political leadership’s calculations and priorities in the post-Soviet space in general, and Transnistria in particular.

Concurrently, one should not overestimate the transformed character of Russian strategy in Moldova and underestimate its role in the region. Notwithstanding the elements of inconsistency in Russia’s foreign policy, the reintegration of the post-Soviet area remains highly popular domestically. It also retains its appeal as an important foreign policy goal for the current Russian leadership in its pursuit of great power status. Although Russia has become aware of transforming regional dynamics, which

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19 Moldova paid 80 dollars for thousand cubic meters in 2005, the payment may increase up to 160-170 dollars for thousand cubic meters.
21 The need for re-assessment of the situation after the Orange Revolution has been widely invoked in Russian media. See, for instance, Kommersant Vlasty, 21 March 2005; Aleksei Makarkin, “Geopolititcheskaya borbya za Pridnestrovye vyshla na finishnyu promyryu” in Nezavisimaya Gazeta, 19 July 2005. The newspapers indicate that balance of forces shifted in the region after Ukrainian events and Russia may lose its control over Transnistria.
has forced its leadership to slightly change its political rhetoric, the desire to retain its influence is obvious. Russia’s ambition of reintegration lacks a coherent strategy, but congruent efforts never cease.\textsuperscript{24} The presence in Transnistria, the “Port Arthur on Nistru”, and influence on regional developments obviously remains an important foreign policy priority for Russia. Notwithstanding the declarative adherence to Moldova’s territorial integrity and support for the Ukrainian sponsored conflict settlement proposal included in the Yuschenko initiative, Russia nevertheless retains its political leverage in the region. The Russian leadership would apparently resist the presence of international peacekeeping forces on the territory of Transnistria. Apprehension exists in Russia that a “local Orange Revolution” in the region could be fostered in this way.\textsuperscript{25} Hence, Russia’s approach has remained virtually unchanged in terms of priorities and substance.

Russia continues to hold considerable levers in its relations with Moldova, despite the fact that the post-Soviet countries and, especially “frozen conflicts,” such as the Transnistrian conflict, are attracting more international attention and involvement. In the post-presidential election period, Ukrainian-Russian tensions may have somewhat reduced the scope of Russia’s domination. Yet, Russia retains its military presence in Transnistria and has created a loyal separatist regime in the break-away region as well as vested political and business interests in Moldova. Moldova depends economically on Russia and has “entrapped” itself in legal frameworks favourable to the Transnistrian regime and by extension to Russia. Russia also increasingly demonstrates its inclination to encourage and facilitate the creation of “parallel societies” in the post-Soviet countries, including in Moldova, relying increasingly on segments of the Russian-speaking population oriented or connected to Russia. Russia is in a position to employ carrot and stick policies, offering rewards and threatening punishment depending on Moldova’s adopted policies. It may also contribute to and eventually take advantage of regional disagreements, especially between Moldova and Ukraine. Russia has apparently adopted a wait-and-see approach to the Ukrainian sponsored Transnistrian conflict settlement and simultaneously has attempted to compromise it so that Moldova itself would reject the initiative. This, however shows the scope of ramifications of the Orange Revolution on Russian policy adjustments, and that further regional developments also depend on domestic and regional dynamics as well as the involvement of other international actors.

\textbf{UKRAINIAN POLICY VIS-Á-VIS TRANSNISTRIA: CONTINUITY AND CHANGE}

Ukraine has been a significant, though not always noticeable, regional actor in determining the status of Transnistria and the direction of the conflict resolution during the last decade. Ukraine’s major role in the region’s developments was formalized by the 1997 Moscow agreements. Russia was eager to demonstrate “internationalisation” of the conflict settlement and brought in Ukraine as one of the guarantors of the prospective agreement.\textsuperscript{26} Although Ukraine assumed a secondary role in the negotiation process (leaving the main mediating role for Russia), it always held a variety of humanitarian, strategic and economic interests and levers in the regional developments. Ukraine and Transnistria possessed elements of a shared historical and cultural background. The Transnistrian region constituted part of the autonomous Moldovan republic in Ukraine’s Soviet Socialist Republic prior to the unification with Besarabia, incorporated into the USSR in 1940. Approximately one third of the Transnistrian population is Ukrainian origin, which has contributed to public resonance and the notion of propinquity in Ukraine. The cultural and linguistic connections divulge the fact that the Transnistrian

\begin{itemize}
  \item[24] Adomait, H. “Russia and Europe: Continental Drifts” in Andrew Kuchins and Dmitri Trenin (eds.), Russia: The Next Ten Years (Moscow: Carnegie Moscow Center, 2004), 114-115.
\end{itemize}
State University has been named after the renowned Ukrainian, Taras Shevchenko. Strategically, Ukraine has determined to constrain the potential growth of Romanian influence in the region and the Transnistrian impasse has brought in Moldova’s Eastern rather than Western neighbour to shape the regional developments and reduced the likelihood of Moldova’s integration with Romania.

Last but not least, Transnistria and Ukraine have developed rather close economic links. Ukraine has been gradually replacing Russia to become Transnistria’s major trade partner. Although Transnistrian exports to Ukraine remained low at 3.5% of its exports, imports from Ukraine reached 38% in 2004. Ukraine exporters benefited considerably from custom-free trade with Transnistria. Moreover, Ukraine’s Odessa port has become an easily reachable and important gateway for the Transnistrian goods and created vested interests on both sides to profit from transit management. Ukrainian businesses effectively control, through a joint Austrian-Ukrainian Hares group, one of the major Transnistrian industrial assets, the metallurgical plant in Rybnita. Cooperation agreements have also been signed between Transnistria and several Ukrainian regions. The statement of the former Ukrainian president Leonid Kuchma in November 2004 conspicuously manifested the mutual economic interest and significance of Transnistrian developments: “The economic blockage of Transnistria means the blockage of Ukraine.”

On the other hand, Ukrainian leadership has been cautious to provide excessively vocal support for the Transnistrian government. A backing of a separatist regime in the neighbouring country could have set a certain precedent and strengthened the cause of irredentist movements in Ukrainian regions, such as Transcarpathia, Donetsk and especially, Crimea. Moreover, Ukraine was interested in somewhat balancing and restraining Russia’s role in the region in general and Transnistria, in particular.

Thus, Ukraine’s position was influenced by the combination of regional political considerations, historical links and the economic interests in Transnistria. In the context of generally vacillating foreign policy orientations during Kuchma’s presidency, this had contributed to a frequently inconsistent and contradictory policy towards Moldova and, especially, the Transnistrian conflict settlement. Generally, however, Ukraine adopted a policy that effectively encouraged the status quo in the region and strengthened the Transnistrian regime. Although Ukraine has ensured the transit of Russian armament and troop withdrawal from Transnistria and eventually followed the international call for establishing a joint Moldovan-Ukrainian custom and border control post, Ukraine’s political leadership had revealed reluctance to make further steps. Ukraine hesitated for a long time to establish a tighter control on its borders with Moldova’s Transnistrian region, despite continuous appeals from Moldova’s side after it introduced new customs stamps on September 1, 2000. The Ukrainian government also eschewed in imposing a travel ban on the Transnistrian leadership, as did the EU and United States in 2003. Moreover, as Ukraine’s relations with the West deteriorated during Kuchma’s presidency, Ukraine increasingly strengthened its collaboration with Russia. This further limited the country’s potential to act autonomously in the region. Ukraine supported the “federalization” idea included in the 2002 Kiev Document. In a similar manner, in November 2003 Ukraine’s foreign ministry expressed its regret of Moldova’s rejection to sign a somewhat comparable Russian-sponsored conflict settlement included in the Kozak Memorandum.

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28 ICG, Moldova, 11-12.
The Orange Revolution and subsequent lessening of Russia's role in Ukraine, as well as Ukraine's European aspirations have revitalized the questions pertaining to Ukraine's prospective regional role, priorities and means. The new Ukrainian leadership has demonstrated readiness to take a greater role and responsibility in contributing to the solution of the regional Transnistrian dilemma. On February 25, Viktor Yushchenko underlined the significance of the Transnistrian conflict settlement issue with regard to the country's national security. He also stated that the conflict had become a problem for the national economy of Ukraine. The transformed Ukrainian approach was officially signalled by the Yushchenko plan. The 7-point initiative was announced at the GUUAM Summit in Chisinau on April 22 and then eventually finalized and submitted during the Vinnitsa meeting on May 16-17. It was aimed to facilitate "a comprehensive and definitive settlement of the Transnistrian problem that would preserve Moldova's constitutional system and grant Transnistria a special legal status as a constituent part of Moldova." Yushchenko's initiative envisaged creation of a relevant legal framework for reintegration. Transnistria's democratisation would be manifested in free and democratic elections to the regional parliament monitored by international observers. According to the plan, Transnistria may eventually become an administrative, territorial unit of Moldova with the status of a republic. Yuschenko's plan designated the European Union and United States as observers in the process alongside Ukraine, Russia and the OSCE, which retained the status of mediators in the conflict settlement process.

Notwithstanding the significance of the initiative in terms of indicating more active involvement of Ukraine in regional developments, a range of elements may still signify attempts of the Ukrainian side to keep certain levers of influence in the process. Firstly, symbolically, Romania was excluded from bilateral as well as multilateral mediation. Unsurprisingly, Romania has been especially critical of the Ukrainian approach, since it was willing to elaborate and implement joint Romanian-Ukrainian initiatives regarding Transnistria. Secondly, the conflict settlement format remains the previous one, where the mediators are OSCE, Russia and the Ukraine. In this regard, the interests of Russia and Ukraine to remain the major players in the process coincide. Furthermore, both countries would maintain the status of guarantors of the settlement. Thirdly, with respect to Moldova's internal setting, Transnistria would remain a part of the Moldova, but it would retain a right to secede in case Moldova loses its independence, implicitly pointing to the scenario of Moldova joining Romania. Fourthly, according to the initiative, Moldovan, Russian and Ukrainian would be established as official languages in Transnistria.

Although in June 2005, the Moldavian Parliament accepted Ukraine's initiative “in general”, there is a considerable apprehension on Moldova's side. Ukraine and Moldova remain at disagreement regarding several issues, including the wider principles and framework of the Transnistrian conflict settlement and its approach to dealing with border control on the Ukrainian and Transnistrian border segment. Ukraine supports the “unity with autonomy” formula granting considerable autonomy to Transnistria. This would somewhat follow the Crimean model in Ukraine. However, such a solution has
been increasingly opposed by Moldovan experts and policy makers. In July 2005, Moldova’s parliament enacted the laws that stipulated the comprehensive extension of Moldova’s sovereignty to Transnistria and acceptance of the existing Moldova’s legislation by the region’s leadership as the preconditions for democratisation of Transnistria and re-integration of the country. These documents have revealed a growing consensus in Moldova that Transnistria should not be provided the status of a full-fledged participant in the negotiation process as this effectively leads to a recognition of the Transnistrian regime. Hence, according to the Moldovan side, the Transnistrian leadership must accept Moldova’s legal framework for democratisation and re-integration.  

Alongside the diverging approaches to general principles and procedures of the conflict settlement, Moldova’s reservation concerning Ukraine’s initiative is influenced by awareness of the complex and fundamental constrains of its implementation. The democratisation of Transnistria, which has been set as a precondition for Moldova’s territorial integration, increasingly looms as an impossible undertaking unless the separatist regime faces firm international pressure. Indicatively, the initiative’s key element of Transnistria’s democratisation essentially failed during elections to the regional Supreme Council in December 2005. Contrary to the stipulations to organize these elections under the OSCE umbrella, the organization refused to monitor the vote, pinpointing effectively to the undemocratic, unfair and internationally unrecognised elections in Transnistria. These factors have contributed to a somewhat progressively hardening approach of Moldova’s leadership. Although adhering declaratively to the Yushchenko’s initiative “in general”, Moldova’s policy makers may consider “cutting the Gordian knot” by more assertive policies in the region, and facilitate a sort of local “Orange Revolution”. To achieve this, Moldova realizes the importance of attaining strong backing and involvement of the European Union and United States.

Hence, notwithstanding the ambition of Ukraine’s new political leadership to contribute to the Transnistrian conflict settlement, it has appeared difficult to accumulate the critical mass behind the project and overcome structural impediments. Russia and Moldova, though both from opposite considerations, have been reluctant to actively promote the Ukrainian-sponsored conflict settlement. Western democracies, though revealing a growing interest in the process, have restrained from active involvement in the conflict to date. The Transnistrian regime has paid lip service to democratisation without genuine efforts to enhance democracy or transparency in the region. Even in Ukraine, the approach has not been unequivocal to conflict settlement and especially to the mode of interaction with the Transnistrian regime. Simultaneously, Moldova’s increasingly reserved attitude to the Ukrainian initiative may apparently lead to toning down the Ukrainian efforts and evidently invoking the existing divergence of interests between the two countries pertaining to regional developments and conflict solution in Transnistria.

One of the most significant and revealing issues in Ukrainian-Moldovan relations has been the issue of Ukrainian-Moldovan border control on the Transnistrian segment. Evidently there has been a manifestation of a transformed Ukrainian approach to border control on the Ukrainian-Transnistrian border. The creation of joint customs points at the Moldovan-Ukrainian border to prevent wide scale smuggling has been long sought by Moldova’s authorities. Although Transnistria is legally part of the Repu-
bic of Moldova, barriers have been increased on the Moldovan-Transnistrian border and there has been a limited range of instruments to control the Transnistrian-Ukrainian border. This has resulted in reduced trade relations between Moldova and Transnistria and inadequate tax and custom revenues for Moldova. Officially recorded goods to and from Moldova and Transnistria in 2004 accounted to less than 2%. Moldova is estimated to have suffered annual treasury losses of 470 million dollars (3.8% of GDP) due to the reduced tax and customs revenues as well as higher transport costs through Transnistria.

Some on the Ukrainian side have criticised Moldovan authorities for a lack of clear objectives and a solid strategy to resolve the border issue and an inability to proceed with serious talks with Ukrainian border and customs officials. Moldova, on the other hand, has complained about Ukrainian’s unwillingness to seriously tackle illegal trade on the Ukrainian-Transnistrian border and to cooperate with international organizations in this. The recognition of Ukrainian responsibility and readiness to contribute to the progress in this domain was revealed by Ukraine's former Prime Minister Yuliya Tymoshenko. She initiated the project “Stop Smuggling!” and embarked on the reorganization of Ukrainian custom authorities with the aim to fight corruption, and restrict illegal trafficking in the region. In May 2005 the Tymoshenko government endorsed several documents in order to prevent the flow of goods that eschewed the payment of customs duties and taxes to the state budget of the Republic of Moldova and were without the appropriate customs papers issued by Moldova’s authorities. Further progress in Ukrainian-Moldovan cooperation was demonstrated by the establishment of four joint border control points in July-August. Later, on October 7, the European Commission, Moldova’s and Ukraine’s governments signed a Memorandum of Understanding on the European Union Border Assistance Mission. The signatories agreed to establish and implement joint monitoring along the Transnistrian segment of the Ukrainian-Moldovan border. On December 30, the Prime Ministers of Moldova and Ukraine reached agreement, which stipulated that Transnistrian enterprises exporting their goods to Ukraine were obliged to obtained official papers approved by Moldovan custom authorities. These significant measures notwithstanding, Moldovan representatives have indicated a differing interpretation of the situation and have pointed to a continuous hesitation on the Ukrainian side to more actively handling the border control issue.

The Orange Revolution has unequivocally provided momentum for a new Ukrainian approach in the region. Ukraine’s leadership has adopted a more active stance in the Transnistrian conflict settlement process and made steps in establishing tighter control on the Transnistrian segment of the Ukrainian-Moldovan border. Ukraine’s approach has certainly been influenced by the country’s European aspirations and determination to demonstrate its constructive role in the regional conflict settlement process. In the meantime, it must be taken into consideration that Ukraine holds strategic and economic interests in the region. There are vested interests in Ukraine that contribute to a continuation of previously adopted policies and resist drastic transformation of the political and business environment, which could be generated by resolute efforts of comprehensive democratisation of the Transnistrian region. Moreover, rapprochement and closer interaction between Ukraine and Moldova notwith-
tanding, the bilateral relations remain complex and somewhat complicated as a combination of both converging and diverging priorities, interests, interpretations and expectations exist. Hence, tendencies and elements of both continuity and change persist in the Ukrainian approach to the Transnistrian dilemma and it remains difficult only one year after the Orange Revolution to clearly state whether the new approach or old practices would prevail. In this regard the role and activities of international actors may provide formative effects.

TOWARDS EUROPEANIZATION OF TRANSNISTRIAN CONFLICT SETTLEMENT?

Although the international community has been attentive to developments in the region, the engagement and impact of international organizations in the Transnistrian conflict settlement have for long remained modest. The Organization for Security and Cooperation in Europe became directly involved in the moderation process of the conflicting parties in 1997 by becoming a participant in the five-sided format of conflict settlement. In spite of the importance of such international presence, the OSCE has been unable to contribute to the resolution of the conflict. This is not surprising considering the internal difference of opinions within the organization and the limited scope of leverages. The majority of participants, especially Russia, in the penta-lateral format of the conflict settlement were interested in maintaining the status quo in the region rather than ensuring resolution of the conflict.44

The failure to draft a common official position with respect to Ukrainian events at the end of 2004 clearly pinpointed to the inability of the OSCE to reach consensus and contribute to conflict settlement.45 This has further raised the questions pertaining to the prospective relevance of the organization in the region. Naturally, Moldova has been increasingly disappointed with the OSCE’s toothless approach in its endeavours to contribute to the solution of the Transnistrian dilemma. Moldova’s leadership found it especially objectionable that the OSCE has taken great notice of the interests of the “criminal regime” in Tiraspol as well as its Russian ally. Moldova’s apprehension with regard to the OSCE has been strengthened by the organization’s support of the Kiev Document in 2002 and the Kozak Memorandum in 2003, as well as in the inability to ensure fulfillsment of the Istanbul Summit demands for Russian troop withdrawal from Transnistria. Oazu Nantoi has clearly shown Moldova’s apprehensions pertaining to the OSCE’s role, stating that, “participation of the OSCE as a mediator in the negotiations by no means guarantees maintaining Transnistria within the Republic of Moldova in the future….the OSCE will easily accept a situation where the Republic of Moldova will have to peacefully give up this region.”46

Interestingly, however, the OSCE has also received strong criticism from Russia. Russians blame the OSCE for taking a one-sided approach and intervening in the internal affairs of many post-Soviet countries and trying to influence their developments.47 On the one hand, this could signify the declining role of the organization in the region. On the other, paradoxically, the very disappointment of both sides and virtual deficiency of other viable international levers may still ensure the international interest behind keeping the organization involved in the conflict settlement process. Naturally, Moldova’s leadership aspires to achieve a more active involvement of and support from the European Union.

In 2003, the European Union announced its readiness to launch a more pro-active policy in an attempt to contribute to conflict resolution in Moldova. Accordingly, the Wider Europe Communication declared that, “the EU should take a more active role to facilitate settlement of the disputes over Transnistria…Greater EU involvement in crisis management in response to specific regional threats would be a tangible demonstration of the EU’s willingness to assume a greater share of the burden of conflict resolution in the neighbouring countries. Once settlement has been reached, EU civil and crisis management capabilities could also be engaged in post-conflict internal security arrangements.”48 This pinpoints to an increasing awareness and interest of the leaders of the European Union to make a contribution to the resolution of the political predicament near its prospective borders and to establish a “circle of friends” in its proximity. Moreover, the EU and NATO enlargement (as well as the real risks to the security caused by the Transnistrian conflict) have raised a growing concern of the EU about this conflict. The EU has legitimate and well-founded security concerns and interests in Moldova.49

In February 2005, the EU approved the Action Plans with both Moldova and Ukraine alongside other five neighbouring countries. The European Neighbourhood Policy (ENP) promises neighbouring countries, “a stake in EU’s internal market.” Although ENP priorities are democratisation and trade liberalisation, conflict resolution in Transnistria is important for the EU. The document underlines the significance of “sustained efforts towards a settlement of the Transnistria conflict, respecting the sovereignty and territorial integrity of the Republic of Moldova within its internationally recognised borders.”50 The growing interest and motivation on the EU side has additionally been revealed by the nomination on March 16, 2005 of Adriaan Jacobivits de Szeged to the position of Special Representative of the EU in the Republic of Moldova. He has been given responsibility to contribute to the Transnistrian conflict settlement, including “in close coordination with the OSCE.”51 According to Nicu Popescu, the EU gave a clear message that it was serious, and that its representative would be an important interlocutor in the conflict settlement process.52

The EU has been undertaking practical steps in regional stabilization attempts by engaging in the area of border assistance and monitoring. The EU has promoted trilateral negotiations between Moldova, Ukraine and the European Commission for implementation of measures pertaining to enhancement of the control and management on the border between Moldova and Ukraine, paying special attention to the Transnistrian segment.53 The EU has also indicated its endeavour to strengthen this border in the EU Action Plan signed with Ukraine: “Ukraine will develop co-operation with Moldova on border issues, covering the entire Ukraine-Moldova border, including effective exchange of information about the flow of goods and people across the common border.”54 Eventually, the EU succeeded in launching the EU Border Assistance Mission with a two-year mandate on 30 November 2005. The mis-

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49 Munteanu, I. “Moldova and the EU Neighbourhood Policy” in Atis Lejins [ed.], An Enlarged Europe and Its Neighbourhood Policy (Riga: Latvian Institute of International Affairs, 2004), 89.
sion, which includes border police and custom officials from 16 EU member states, was set up with the aim to contribute to improving border control and preventing smuggling and trafficking through the Moldovan-Ukrainian border by providing technical support to authorities of both countries. The mission plans to devote particular attention to the Transnistrian segment of the Moldovan-Ukrainian border. This has certainly marked a more pro-active EU approach in the region. However, it is far from a significant contribution to the Transnistrian conflict settlement as an assistance mission only holds advisory functions.

The EU also possesses a scope of economic leverages with respect to the break-away region of Transnistria. The Transnistria regime, apparently more than any other authoritarian regime in post-Soviet space, strongly relies on external trade relations, especially with the EU countries. Paradoxically, Transnistria has been even more economically dependent on trade with the EU than Moldova itself. The trade share of the EU is increasing for both, for Transnistria in 2004 it was 33%, for Moldova-30%. Moreover, Transnistrian companies have established joint ventures and attracted considerable investments not only from Russia and Ukraine, but also from the Western countries. This also points to a certain ambiguity in EU's trade dealings with the Transnistrian economic entities. After Moldova joined the World Trade Organization in 2001, the EU continued to accept Transnistrian goods into the single market without Moldova's custom stamps as “goods of non-specified origin”. In 2004, the EU began to tighten its policy regarding the Transnistrian goods and required custom stamps issued by Moldovan authorities. Hence, the general confines and principles of a more coordinated and comprehensive approach of the European Union is gradually appearing but it is still in the making.

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The OSCE remains an intergovernmental organization of countries. The OSCE has been powerless to contribute to the Transnistrian conflict settlement as long as the United States and members of the European Union refrain from an active involvement in the process. The OSCE has not been able to provide solutions, especially in the context of Russia’s resistance to internationalisation of the conflict-settlement. Although the approach began to shift after the NATO and EU enlargement and democratisation movements in the post-Soviet countries, constrains still remain. The EU’s declaration of a more active policy in its neighbourhood notwithstanding, the Union’s slow response to the events in Ukraine at the end of 2004 demonstrated clear passivity and limitations for action of this international actor. It revealed the importance of both external and internal factors in the EU position. Strategically, the EU declared its willingness to take an active part in the “frozen conflicts” resolution process. Yet, the EU’s neighbourhood policy collides directly with Russia’s “near abroad” policy. The formation and balancing of strategic priorities is a painstaking process, which has led to the EU reactive rather than proactive approach. The EU approach to conflict resolution has been manifested by the notion of integrating conflicting parties in a system of cooperative relations. Although this method could be appropriate in some situations, the “frozen conflict” of Transnistria requires more active international involvement as the Transnistrian regime itself has become a hindering factor for conflict resolution. This, however, will not be easy to alter. Moreover, the diversity of players, interests and perceptions within the European Union itself further contribute to the complexity and ambiguity of its position in the post-Soviet

56 The Transnistrian dependence on economic openness has been manifested by the fact that in 2004 its foreign trade turnover amounted 309% to its GDP while compared to Moldova’s 106% to its GDP.
57 Burla, M., Gudim A. and others, Transnistrian Market, 23.
58 For example, there have been at least 18 Transnistrian-German joint ventures; see, Popescu, The EU in Moldova, 18.
59 Popescu, The EU in Moldova, 18, 31-32.
space and interaction with Russia. Within the European Union the old and new members have clearly differing perceptions of what kind of values and interests must be advanced. The new EU members, such as Poland and the Baltic states in particular, have increasingly supported a rather cautious and occasionally uncompromising approach regarding Russia and has invited for a more active policy in the neighbouring countries, including Moldova. The old EU members like Germany, France and other Western European countries, which have established an intensive political and economic interaction, share various interests with Russia, and have demonstrated the willingness to extend the cooperation. These countries have also revealed self-restraint in implementing policies which could collide with Russia’s interests.

Nevertheless, the Orange Revolution has provided an additional impetus for a more active Western policy in post-Soviet space and growing interest for solving “frozen conflicts” in its proximity. The U.S. and EU show an increasing determination to contribute to the Transnistrian conflict settlement. Western countries may channel their priorities by interacting with assistance to Moldova and dealing directly with Transnistria. The EU can take advantage of the western orientation of Ukraine and use bilateral and multilateral frameworks in the relationship with Russia, as well as advance its interests within the OSCE.

CONCLUSIONS

One year after the Orange Revolution in Ukraine, the Transnistrian “frozen conflict” remains a multifaceted quandary, shaped by various factors and actors. Clearly, structural constraints persist and hinder a prompt resolution of the Transnistrian conflict. They will also eventually ensure a certain inauspicious continuity of the previously adopted conflict settlement approaches and practices. Although the Transnistrian conflict has been caused by political and economic factors rather than diverging ethnic or religious ones, vested interests have been established internationally, regionally and locally and the process of identity formation has taken place in Moldova’s break-away region of Transnistria. The Transnistrian political elite has, to some extent, achieved success in its attempt of deliberately constructing a kind of Transnistrian identity based largely on vilification of Moldova and Moldovans. Russia’s authority remains significant in the region with its strong military, political and economic presence and levers of influence. Despite the moderation of rhetoric, the Russian leadership has not shown any inclination to give up its influence in the Transnistria region. Russian support has unequivocally been significant in keeping the Transnistrian regime in place. Ukraine’s new leadership has demonstrated elements of a transformed approach and a willingness to cooperate with the European Union and its neighbour, Moldova in finding appropriate conflict settlement arrangements. However, simultaneously strong vested interests exist in Ukraine that are supportive of maintaining the status quo in the region or at least retaining the economic and political levers in Transnistria. Moldova has largely entombed itself in the previously adopted legal frameworks, acknowledging both the role of mediator and more importantly, guarantor status for Russia. It had also accepted an equal counterpart status for Transnistria in the conflict settlement process. Moldova’s passive, conciliatory and ambiguous position from the very outset of the conflict weakened its own position and prospects to solve the Transnistrian conflict on acceptable terms, and effectively strengthened both the positions of Russia and the Transnistrian regime. The OSCE and the EU have shown both willingness to contribute to the Transnistrian conflict settlement, on the one hand, and demonstrated the inability to provide an unambiguously coordinated political vision and approach in the region, on the other. The internal disagreements within the EU have led to a fragmented, reactive and ad hoc approach to regional developments.

60 Popescu, The EU in Moldova, 8.
Having indicated the trends and elements of continuity largely contributing to a stalemate in the resolution of the Transnistrian conflict, the Orange Revolution has also had undeniable ramifications for regional developments in terms of remodelling the balances and perceptions of power and interests and opening windows of opportunity for the “unfreezing” of the Transnistrian conflict. Ukraine’s transformation has certainly shifted psychological and political imperatives as well as regional balances of power. Democratisation has become an important element of domestic political discourse, a sort of a catchphrase for the whole area of the former Soviet Union. The Orange Revolution has apparently contributed to awareness in Moldova of a potentially powerful “domino effect” of democratisation in the post-Soviet space. Moldovan political and intellectual leadership (though not always in a coordinated way) has realized the importance of Moldova’s own position in the conflict settlement process. It increasingly demonstrates a resolve to take a firm and self-assured position pertaining to Russia and its protégé, the Transnistrian regime. In the process, Moldova strives to deprive the Transnistrian side of participant status in the conflict settlement process, refusing to accept the existing unfavourable framework. Moldova appeals for the internationalisation of the conflict. Moldova’s growing self-confidence and formation of a certain vision of solution to the Transnistrian dilemma increasingly converges with Europe’s growing awareness to take an active part in the conflict solution.

The EU policy decisions may become the critical factor in determining the prospective developments and eventually ensuring stability in the region. The coordinated and comprehensive Europeanization of the Transnistrian conflict settlement process would represent the most propitious and promising scenario for regional developments in Europe’s Eastern neighbourhood. The EU possesses effective means to facilitate the Transnistrian conflict settlement. It could become a test ground for the EU ambitions and capacities to implement its Security and Defence Policy, especially pertaining to the conflict solutions in the post-communist countries. Bilaterally, the EU-Russia and EU-Ukraine dialogue frameworks may provide additional leverages for the EU to influence the regional developments and contribute to solving “frozen conflicts”. The enhanced cooperation pertaining to Transnistria can be envisaged under the Road Map of the EU-Russia Common Space for External Security. Ukraine’s cooperation with the EU in optimisation of the border monitoring and control on the Transnistrian segment of the Moldova-Ukraine border already exemplifies a potential for the EU increased presence and role in the region. The EU must advocate the extension of the Transnistrian conflict moderation format and be prepared to become an active participant in this expanded format. Moreover, it would be imperative to extend the scope of the EU contribution within the framework of development assistance policy and the Neighbourhood policy. Moldova’s closer integration with European structures and eventual political, economic and social modernisation would increase its attractiveness to the Transnistrian population, in general, and business elites, in particular.

The clear-cut ramifications of the Orange Revolution for the regional developments in the post-Soviet area have yet to be seen. The Revolution itself and comprehensive regional transformation still remains in the making. However, the Ukrainian events have unequivocally contributed to the alteration of the general conflict settlement milieu. Alongside the previously established tendencies and practices, it now includes new interests, notions and approaches. Clearly, this altered amalgamation of factors and actors have pinpointed to the changing context in psychological, political and economic terms. As a result, it opens the window of opportunity for finding the solution for the Transnistrian “frozen conflict” and, subsequently, enhancing stability in Europe's neighbourhood.
A YEAR AFTER THE ORANGE REVOLUTION IN UKRAINE: NEW VECTORS IN THE POLICY OF BELARUS

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INTRODUCTION

The deficit of democratic values is a problem for several post-Soviet countries: this statement is especially relevant to Belarus. Today even politicians, observers and researchers who are loyal to the Belarusian political regime cannot ignore facts that are at variance with the concept of democracy. Despite the fact that present-day Belarus is sharply criticized both in the West and even in Russia for its anti-democratic practices and violations of human rights and freedoms, the starting opportunities for this country after the collapse of the USSR were evaluated rather positively.

Even in the middle of 1990s, experts of comparative politics of Western Europe included the Republic of Belarus in the category of countries in which developing democratic processes could be observed. For instance, the research conducted by Keith Jaggers and Ted Gurr in 1995 proposed a special set of democracy and autocracy indicators called "Polity III" used for analyzing the process of democratization in countries of the world. All political systems were classified as "coherent" or "incoherent", depending on the "institutional consolidation" of these countries, i.e., the level of coherence between the system and its institutional structures. In a democracy, political participation is characterized by competition, professionalism is a prerequisite for office, officials are elected to their post, and pressure upon the executive power is essential. According to this research, the CIS countries of Tajikistan and Uzbekistan were characterized as non-consolidated autocracies, whereas Belarus, Georgia, Kyrgyzstan and Moldova were classified as "non-consolidated democracies".

Another evaluation of Belarus as a country which is on the road to democracy can be found in R. Kaplan’s annual report "Freedom in the World: Political Rights and Civil Liberties (1995-1996)". This research divides all countries into three groups: free countries, partly free countries and unfree countries. There was not a single CIS country which could be included in the group of free countries. Armenia, Belarus, Georgia, Kyrgyzstan, Moldova, Russia and Ukraine were classified as "partly free", whereas Azerbaijan, Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan were categorized as "unfree" countries. Thus, the way Belarus chose after regaining independence was called democratic

by the West. However, after the constitutional reform in 1996, the situation changed sharply, and anti-democratic signs in Belarus become more and more evident.

In order to evaluate the anti-democratic features and trends in the Belarusian political regime, several research projects, monitorings, assessments and reports were made by both independent experts and representatives of various official institutions in the West and even in Russia (for instance, Sergei Karaganov, chairman of the Russian Council for Foreign and Defense Policy and deputy director of the Institute of Europe of the Russian Academy of Science, is currently one of the critics of the Belarusian political regime. He is basically convinced that the political regime in Belarus needs to be changed). The aim of this study is not only to establish the fact that Belarus has chosen a non-democratic path but also to analyze the ongoing political processes in this country in the context of the impact of the Ukrainian Orange Revolution. Even during the Ukrainian revolution, appeals were made to export the "coloured revolution" in the brotherly country of Belarus; moreover, experts have repeatedly expressed their opinion that Belarus is the next object of democratization. More than a year has passed since the Orange Revolution in Ukraine, but analogous revolutionary processes still cannot be observed in Belarus. Are they really feasible in Belarus? Are there any differences between the situation before the Orange Revolution in Ukraine and the present political situation in Belarus? Are there any constant (unchanging, permanent) factors whose influence does not allow the "Kiev scenario" to be repeated in Minsk? Is it possible to copy the Ukrainian experience and transfer it to Belarus? To what extent does Belarus’s and Ukraine’s dependence on Russia’s supply of resources influence the political development of both of these countries? These are the problematic issues that will be analyzed in the present research.

Latvia is interested in researching these problems for two reasons: first of all, Belarus and Russia are Latvia’s neighbours, and the political predictability of these countries allows to assess the region’s level of stability; second, Latvia also receives resources from Russia. Moreover, Latvia as a neighbouring country of Belarus, just like Lithuania and Poland, can hypothetically be credited with a special role in supporting the coloured revolution in Belarus.

**THE LEVEL OF DEMOCRACY IN BELARUS: 2005**

The political regime established by A. Lukashenka in Belarus is criticized by Western countries and also sometimes by Russia. It is usually criticized for violations of human rights and freedoms, cases of disappearance of people, the existence of strong one man’s power which controls the political, economic, cultural and other spheres of public life. It is considered that the level of development of the free market economy and civil society in Belarus is insignificant, and the opposition is weak; moreover, it is being repressed by the state authorities. Special criticism was directed at the referendum held in autumn of 2004 on extending the Belarusian president’s term of office, thus allowing Alexander Lukashenka to run for a third presidential term³.

The fact that the Ukrainian Orange Revolution became a definite signal for the Belarusian opposition to start acting more energetically cannot be denied. At the same time, the official power of this country, trying to ensure survival of the existing regime, also reacted to this impulse without delay⁴. Therefore, the political game has moved to a new level where under new circumstances the main players are becoming more active.

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³ According to the Constitution of the Republic of Belarus, the president can hold office for only two terms.
Because of the Belarusian opposition’s attempts of consolidation (be it only relative) and the activity shown by foreign countries, the Belarusian government took certain steps both in foreign and domestic policy. With regard to foreign policy, the development of further relations with Russia was emphasized, so that Belarus could appeal to it for help if such a need arose. In domestic policy, mechanisms of official power for combating political opponents and preventing a potential revolution were strengthened on the legislative level. For instance, in April 2005 the Supreme Court of the Republic of Belarus made public its decision regarding the request of the Ministry of Justice of the Republic of Belarus to abolish the Independent Institute of Socio-Economic and Political Studies. It should be noted that the institute was founded in 1992, and during its functioning it proved itself as a serious independent institution of sociological studies whose publications are a reliable source of information and analytics about the ongoing processes in Belarus.

On 2 December 2005, the National Assembly of the Republic of Belarus approved the amendments to the Criminal Code and the Code of Criminal Procedure initiated by the Belarusian president and strengthening liability "for actions directed against a person and public security". As a result, the law "On Introduction of Amendments and Changes to Certain Legislative Acts of the Republic of Belarus on Strengthening Liability for Actions Directed against a Person and Public Security" was adopted. When presenting the draft law to members of the parliament, Yuri Andreev, deputy chairman of the parliamentary standing commission on national security, noted that according to this draft law, liability for crimes against the state and the administrative system would be increased because such crimes create preconditions for opportunities for putting external pressure upon Belarus. The Criminal Code was complemented with a new article on "discrediting the Republic of Belarus"; "discrediting" means "deliberate provision of false information to a foreign state, foreign or international organization on the political, economic, social, military or international situation of the Republic of Belarus, the legal status of citizens of the Republic of Belarus or its government institutions". Such actions are to be punished by arrest up to six months or imprisonment up to two years. The Criminal Code also strengthens the liability for activities of an unregistered public organization or foundation, as well as for preparing persons to take part in mass riots or the financing of similar activities. It also increases liability for public calls for seizure of state power or for forcible change of the state’s political system. Such actions are punishable by arrest up to six months or imprisonment of up to three years. Appeals to foreign states, foreign or international organizations to perform actions damaging the external security of Belarus, its sovereignty and territorial integrity, as well as dissemination of materials containing such appeals, are punishable by arrest and imprisonment (terms ranging from six months up to three years). It also provides for formal opportunities to detain persons suspected of terrorist activity or hooliganism for ten days or until the execution of punishment. It is also significant that the Constitutional Court of the Republic of Belarus rejected the request of the Belarusian Association of Journalists to assess the conformity of the law "On Introduction of Amendments and Changes to Certain Legislative Acts of the Republic of Belarus on Strengthening Liability for Actions Directed against a Person and Public Security" to the Constitution of the Republic of Belarus. The Court’s refusal was justified by the fact that the
respective law was not yet in effect when the request was submitted; that is, a legal formality was used as the basis for refusal, and the reply was given on the ground of formal criteria, not on the substance of the matter.

It is absolutely clear that these innovations in the Belarusian legislation are aimed at eliminating potential disturbances. In practice, this means that the official power is trying to limit the right of freedom of association, assembly and speech, as well as to limit the rights of non-governmental organizations and political parties – at least such a reaction could be observed among political observers and defenders of rights both inside and outside Belarus who interpret amendments to the Belarusian Criminal Code and the Code of Criminal Procedure as criminal repressions against opponents of the official power: these amendments not only violate rights and freedoms guaranteed by the Constitution of the Republic of Belarus but also solidify on the legislative level the anti-democratic way chosen by Belarus.

The reaction of the European Union regarding amendments to the Belarusian legislation was "heralded" by Great Britain – the EU presiding state – which represented the EU in Belarus. Great Britain disseminated an official statement in Brussels in which it called on the Belarusian government to revise amendments and reject the anti-democratic draft law, since this innovation in the legislation is another attempt to intimidate Belarusians and suppress the freedom of speech. The statement also included possible sanctions against representatives of the Belarusian official power who are responsible for violations of international legal standards.

THE FACTOR OF THE "ORANGE REVOLUTION" IN BELARUS: POSSIBILITY OF RECURRENCE OF THE UKRAINIAN SCENARIO IN BELARUS

Immediately after the end of the "Orange" revolution in Ukraine, Russian and Western experts did not have a common viewpoint on the likelihood of a similar revolution in Belarus. For instance, according to Richard Pipes, an American expert on policy issues in post-Soviet countries and professor at Harvard University, a Ukrainian-type revolution is possible also in Belarus. However, other experts hold a different view: Belarus is not Ukraine, and despite the expectations and attempts of some political groups to push forward revolutionary processes, there will be no revolution in Minsk. This opinion is fully supported by the Belarusian government, including President Alexander Lukashenka, who has repeatedly declared that the instigation of revolutionary processes is senseless. Lukashenka's statements were repeated by Sergei Martynov, the Minister of Foreign Affairs of the Republic of Belarus, who noted that the Belarusian economy and society are stable, and the attempts by the US and EU to influence the political processes in Belarus are futile.

According to some authors who have analyzed the origin of "orange" revolutions in the post-Soviet territories, the reason for this phenomenon is the inability of the state administration to understand the nature of the transition process: the countries were prematurely called democratic, and, although the authorities started to observe some external norms of Western democracy, the sources of legitimacy – and thus the sources of authority – were not defined in the new system. Prerequisites for such a revolution include the following: isolation of the elite from the majority of people, the indifference of this majority towards the future of the elite, the existence of an active opposition, as well as the authori-
ties’ fear to use force in preventing public disorder<sup>15</sup>. However, the situation in Belarus is unique, and it does not fit the above-mentioned scheme.

Professor Alexander Potupa, director of the Research Centre of the Future and Belarusian political analyst, characterizes Belarus as a country without an anti-occupation syndrome, i.e., without the factor which played a decisive role in former socialist countries. Belarus, Russia and Ukraine formed a peculiar "triangle" which fell into the trap of "Bolshevik self-occupation"; therefore, people have no one to blame for spreading communist totalitarianism, except themselves<sup>16</sup>. Despite the uniqueness of Belarus and Ukraine, these countries still have several common traits with respect to their geopolitical environment and their past as Soviet republics. Since Belarus and Ukraine are located between Russia and Europe, they are inevitably subject to influence from both sides; at the same time, Belarus and Ukraine are in an advantageous position with regard to trade and transit. The common history of Belarus and Ukraine – political and economic integration within the USSR – became a reason for the level of high dependence upon Russia and isolation from the global world economy. For centuries, Belarus and Ukraine were a part of the Russian empire and the Soviet Union, and the present-day economy of these countries was formed and developed as an auxiliary part of the Russian economy; consequently, they were isolated from the flows of trade of the Western world<sup>17</sup>.

The geographic and national homogeneity of the Belarusian society is another important factor. History shows that although Belarus was ruled by various countries during certain historic periods, it has always possessed territorial integrity. Unlike Ukraine, the present-day Belarusian government does not have to deal with problems of society involving East versus West. For instance, since Ukraine is heterogeneous, consisting of four partly autonomous regions, during the Orange Revolution it was divided into the pro-Russian eastern part and pro-Western regions in the western part of Ukraine; however, in the case of Belarus such a division is not a decisive factor since Belarus has territorial balance – its regions have relatively similar socio-geographic indicators which exclude the factor of regional imbalance. The capital city of Minsk is located in the centre of Belarus, and it is surrounded by regional centres: Mogilev, Gomel, Brest, Grodno and Vitebsk. Moreover, since Belarus has never had a strong national movement as has Ukraine, and since Belarus is united not only regionally but also nationally, the factor of ethnic minorities cannot be decisive.

Some observers and experts believe that the 2004 referendum results in Belarus were not falsified, and if there were any violations, they were insignificant and could not substantially affect the outcome of the referendum. Reasons for that can be found in the people’s political culture: a large part of the inhabitants fully trust the authorities and behave like "governance subject". Therefore, Lukashenka’s regime will exist as long as the attitude of Belarusian people towards Lukashenka as their "batka" ("father") remains unchanged.

Despite the fact that Belarus is sometimes characterized as the "only Eastern European country in which the development of domestic policy is not dependent on impulses of foreign affairs"<sup>18</sup>, it is nevertheless necessary for Belarusian policy to take external players into account. For instance, the possibility of a coloured revolution in Belarus is also a definite challenge for Russia because after its unsuc-

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<sup>15</sup> Трифонов Е. Свобода, равенство, братва. В России революции на апельсиновом сохе не получится/Новое время, № 15, 17.04.2005.
<sup>18</sup> Кокыш К. Белоруссия в европейском контексте//Между Востоком и Западом. Украина и Белоруссия на европейском пространстве. / Моск. Центр Карнеги. – М.: Гендалф, 2003. стр. 29.
cessful policy in Ukraine, Belarus, of all the former USSR countries, has remained Russia’s sole potential ally on the western border. Thus, permitting a coloured revolution in Belarus is inconvenient for Russia because a regime change in Belarus could become a signal for starting analogous processes in Russia.

Another external factor with regard to the democratization of Belarus might be the readiness of Western countries to support the potential revolution, to financially support the opposition or at least to inform the Belarusian society about the possible development of political processes. For instance, in 2005 a decision was adopted to broadcast in Belarus – as part of the "Deutsche Welle" radio station\(^\text{19}\), which is partly financed by the EU – an informative programme called the "Belarusian Chronicle" whose aim was to provide objective and comprehensive information to the Belarusian people about democracy, human rights and European affairs.

Western countries have repeatedly criticized the Belarusian political regime: in this regard, it is necessary to mention the US "Belarus Democracy Act of 2004"; the report of the US Department of State "On Observation of Human Rights and Civil Liberties in the World in 2005", in which Belarus (as well as Russia and Saudi Arabia) was included in the list of countries where "the status of human rights causes serious objections"; the list of countries where there is "greater instability and risk" prepared by the US Foreign Intelligence Service’s National Council (the list includes Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan); several other US and EU documents and reports by official representatives.

Western countries are interested in changing Belarusian domestic and foreign policy in a Western direction, and they are ready to financially support such a transformation of the Belarusian political regime and political orientation. Such viewpoints have repeatedly been expressed by the US Department of State and political and public figures in Western Europe. Readiness to support democratization processes in Belarus was also expressed by Belarus’s neighbouring countries. In this regard, Lithuania and Poland may become places where external resources for revolution are located. One such resource caused a diplomatic scandal between Belarus and Poland; namely, the cause of this scandal was an incident connected with the Union of Poles in Belarus.

Adam Daniel Rotfeld, the former Minister of Foreign Affairs of the Republic of Poland, noted that Poland’s policy towards Belarus needs to be both "public and secret", and it is important to recognize that the lack of democracy in Belarus is a common problem for the whole Europe\(^\text{20}\).

Moreover, Ukraine – Belarus’s neighbouring country – is also ready to provide support for a coloured revolution in Belarus: participants of the Orange Revolution are actively sharing their revolutionary experience with their Belarusian colleagues. This process is reciprocal as, for instance, representatives of the Belarusian oppositional youth movement "Zubr" were active supporters of the idea of the Orange Revolution during the demonstration in "maidana Nezaleznosti" (Independence Square) in Kiev. Representatives of the Belarusian oppositional organizations regularly meet with their Ukrainian colleagues with the aim of taking over the experience of the latter. This means that we can actually see happening what Nikolai Tomenko, one of the active participants of the revolution, said during the Orange Revolution at the demonstration in Independence Square: "Today, presidents of the post-Soviet

\(^{19}\) The radio station has long work experience with the so-called crisis regions", for instance, the Balkans, Afghanistan, Iraq.

countries speak with horror about our ‘orange’ revolution. Therefore, we must help our brother nations to carry out such revolutions in Russia, Belarus, Turkmenistan, Tajikistan and Uzbekistan.\(^{21}\)

Latvia’s foreign policy towards Belarus is generally in line with EU policy, and it is based on pragmatic considerations: Latvia is trying to develop mutually beneficial co-operation with Belarus, taking also into consideration Latvia’s economic advantage but not violating commitments made to the EU. Unlike Lithuania, which has positioned itself as the main disseminator of Belarusan democracy, there are some uncertainties in the mutual relations between Belarus and Latvia, and although Latvian officials have expressed criticism of the Belarusan political regime\(^{22}\), Latvia is ready to co-operate with several political actors in Belarus, namely, the representatives of the governmental and NGO sector. This fact is supported by the co-operation on the governmental level, contacts with representatives of the Belarusan mass media and visits of opposition activists in Riga. Moreover, Latvia’s position is not affected by emotional factors pertaining to specific interests of Latvia as was the case with Poland, for instance (official pressure by Belarus upon the Polish community living in this country). Another factor determining Belarussia’s special role in Latvia’s foreign policy is related to the fact that during the first six months of 2006 the Republic of Latvia will replace Great Britain as the representative of the EU presidency in Belarus. In Latvia, this was perceived as a great achievement of Latvia’s diplomacy. As such a representative, Latvia has to inform the European Union structures and other member countries about the ongoing processes in Belarus, represent EU interests in Belarus, co-ordinate mutual co-operation within the EU on issues concerning Belarus and inform the Belarusan structures about EU decisions.

**STATUS OF THE BELARUSIAN OPPOSITION: A YEAR AFTER THE UKRAINIAN "ORANGE REVOLUTION"**

There is no common opinion among observers and analysts about the possibility of effective consolidation of the Belarusan opposition which would thus create preconditions for implementing the coloured revolution scenario in Belarus. Of course, the example of the Ukrainian Orange Revolution and other coloured revolutions in former USSR countries certainly influenced the split Belarusan opposition to work more actively and start the process of consolidating various organizations. However, the question remains: to what extent is the Belarusan opposition consolidated? Is it enough to implement the scenario of the Ukrainian revolution in Belarus? Is it really possible to automatically copy the Ukrainian experience and transfer it to Belarus?

One of the forecasts is based on the idea that the precedent of the Orange Revolution cannot be decisive in Belarusan policy because the situation is different. Events in Georgia and Ukraine were unique: the opposition in these countries consisted of charismatic politicians who were clearly supported by the West; good organization of demonstrations and ample financial means possessed by the opposition’s headquarters made it possible to effect the change of power efficiently and without bloodshed\(^{23}\). The situation in Belarus is characterized by some important factors. First of all, Belarus has a strong one-man rule that influences the decision-making processes, a condition that was not characteristic of Ukraine: the Belarusan President controls several services and centres of the armed

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22 For instance, the incident at the end of 2005 was connected with the statements of M. Mora, Ambassador of the Republic of Latvia to Belarus, made during the sitting of the Foreign Affairs Committee of the Saeima of the Republic of Latvia about financing the Belarusan opposition by Latvia. These statements became a reason for members of parliament to prepare a request to A. Pabriks, the Minister of Foreign Affairs of the Republic of Latvia, about conformity of this information to reality. The incident was settled by an official statement that M. Mora’s words were wrongly interpreted.
power – KGB, the army, etc. Second, lack of coordinated activities among the Belarusian opposition organizations, even a certain competition among these organizations for privileges and resources from the West, is another serious obstacle to implementing the scenario of a coloured revolution. The Belarusian opposition, frequently regarded as the uncoordinated activity of individual persons and groups, lacks wide support in society because of the state’s successful social policy. No family clans or oligarchic groups have been established in Belarus that would help people to form their concepts about the openness and fairness of political processes.

Being influenced by the results of the Ukrainian Orange Revolution, activists of the Belarusian opposition organizations took some steps towards establishing a constructive mutual dialogue; for instance, potential candidates for presidential elections representing democratic forces signed a declaration on forming a joint team, and they agreed to nominate Alexander Milinkevich as the opposition’s sole candidate for the presidential election. In 2005, the National Congress of Democratic Forces was convened; its delegates were elected at public meetings held during the course of a few months throughout Belarus. The majority of Congress delegates represented not only political forces such as the United Civil Party, Belarusian Popular Front and the Communist Party of Belarus but also various strata of society and public associations.

However, despite the positive trend evidenced by consolidation of the opposition, the Belarusian case is different from that of Ukraine, where the support provided to the opposition by the Ukrainian people was completely different (an anti-occupation syndrome in Ukraine’s western regions and a pro-Russian mood and orientation in the country’s eastern part). Although there are some geographical differences in attitude regarding the “Western way of development” and the “Russia-way” (for example different attitudes towards Lukashenka in Minsk and Grodno), this division, however, is not so significant as in Ukraine. The Belarusian opposition currently lacks a charismatic person who could prepare people, inspire society and formulate a precise political position.

It is clear that Lukashenka cannot rule forever, and sooner or later he will be replaced by other leaders. What could be the prospective developments? Analysis of the present Belarusian political situation warrants the assumption that there might be a wide coalition of opposition forces – a mixed company characterized by disagreements and the lack of consensus among its members (for instance, contradictions between the United Civil Party and the Belarusian Popular Front). Will it be able to resolve self-contradictions and agree on common rules of the political game? The Ukrainian experience after the Orange Revolution shows that preserving the revolutionary consensus among the winners is a complicated matter even in a country where conditions for democratization were initially much better than in Belarus.

Therefore, two issues arise in connection with forecasting developments in the Belarusian political processes: first of all, the lack of a strong and charismatic opposition leader; second, the existence of a social basis for the support of the potential revolution and opposition, i.e., those social groups which would potentially be ready to defend the idea of revolution as was the case in the Independence Square in Ukraine. The policy of building a "socialist country" in Belarus has had certain consequences, and the rural inhabitants of Belarus and pensioners are not the type of people who will support the

24 It is significant that on 4 August 2005, during the meeting for nominating delegates to the National Congress of Democratic Forces, eggs were thrown at A. Lebedko, the leader of the United Civil Party. Responsibility for this act was assumed by the National Bolshevik Party’s branch in Belarus. Information about this incident can be found at the website of this organization: 4.08.05. Солигорск: Атакован Председатель Объединенной Гражданской Партии (http://belarus.nb-info.org/news/news040805.htm) A similar incident happened on 14 November and 6 December 2005, when eggs were thrown at A. Milinkevich, the opposition’s candidate to presidential office (http://belarus.nb-info.org).
idea of revolution. The youth can be considered as potential supporters of the revolution, since some of them have been educated in the West and support the idea of Belarus’s democratization. Members of the Catholic religion, the Polish diaspora, as well as the pro-Western intelligentsia of Belarus also are among potential supporters of the revolution. The conflict in the Union of Belarusian Writers at the end of 2005 (as a result, it split into two separate organizations) is indicative of the intelligentsia’s oppositional mood and a definite split within Belarusian society. It is significant to note that personal loyalty (attitude) towards the existing regime and the fact whether a person supports or does not support the official power is becoming a criterion for selecting members of the Writers’ Union. For this reason, the union chaired by Ales Pashkevich is unofficially regarded as oppositional to the official state power (the precise name of this organization is the "Union of Belarusian Writers"), whereas the other organization (Union of Writers of Belarus) led by Nikolai Cherginets – is regarded as pro-governmental. Both of these unions claim to be all inclusive and claim to have exclusive rights to the country’s literary heritage. To what extent can the pro-governmental union be regarded as an institute of civil society? This issue is debatable. An organization created artificially "from the top" can hardly be perceived as a full-fledged element of civil society. In any case, the existence of the two competing writers’ unions is a negative signal testifying to division within Belarusian society, the intelligentsia’s mixed attitude towards the existing political system, questions the use of the potential of the Belarusian intelligentsia in initiating and furthering revolutionary processes.

THE NATURE OF RELATIONS BETWEEN BELARUS AND RUSSIA

Belarus and Ukraine occupy a special place in Russia’s foreign and domestic policy. In an interview to the newspaper "Die Presse", Adam Daniel Rotfeld, the former Minister of Foreign Affairs of Poland, said: "Russia does not like the things that are going on in Poland, Estonia, Latvia or Lithuania. But what is possible in Ukraine is also possible in Russia itself". After the "loss" of Ukraine and its "deletion" from Russia’s "brotherly" policy, Belarus is considered as Russia’s only potential ally. Nevertheless, relations between both of these countries are not absolutely clear and raise a lot of questions.

Integration with Russia – a mutually beneficial process

The specific features of the present Belarusian regime are based on three aspects which have a definite relation to the Russian Federation: 1) specific features of the Belarusian economy; 2) Russia’s readiness to support Belarus; 3) specific features of the Belarusian electorate. First of all, the Belarusian economy is highly dependent on both the import of Russia’s resources and export of Belarusian production to the Russian market. Because market economy reforms were not implemented in Belarus, production units and jobs were preserved, and thus the concept of the stability of Belarusian economy was created. The viability of such an economy is questionable. Second, during 1990s the Russian people were greatly disappointed by failures of economic reforms in Russia, and therefore Boris Yeltsin, President of Russia, had to propose an alliance with Belarus as a compensation for these failures: such a project created illusions and expectations in peoples’ subconscious about restoration of the super power. In the process of forming this alliance, Belarus occupied an advantageous status, receiving resources from Russia for lower prices; in another words, Belarus and Russia concluded an agreement whereby resources were exchanged for loyalty. The basis for this kind of relationship was revie-
wed and changed to a certain extent after Vladimir Putin’s coming to power; nevertheless, the overall spirit of these relations has certainly remained, and the idea of Belarus’s and Russia’s integration has not yet been denied; in fact, these processes are developing and may be accelerated if necessary. Third, support for the Belarusian president can also be explained by the specific feature of the Belarusian electorate – namely, that large groups of people sympathize with Russia. This is due to common historical traditions (including co-existence within the USSR), as well as kinship in linguistic, cultural and religious aspects. These factors, along with regret for the collapse of the USSR, explain why Belarusian rural inhabitants and pensioners (i.e., strata of society which had problems in adapting to new circumstances and which are expecting to be supported by the state) hope for the creation of the Union State of Belarus and Russia as an analogue of the USSR. Therefore, by supporting the idea of integration with Russia, Lukashenka is increasing the number of potential supporters of the state policy who will also support his candidacy in elections.

Russia might also see some advantages in unification with Belarus. There is the opinion that Belarus is important not only for Russian foreign policy but also for its domestic policy. One of explanations for this was already mentioned. In addition to Russia’s economic advantage with regard to trade and transit, it may use integration as a tool of domestic policy. For instance, unification of Russia and Belarus may enable the President of the Russian Federation to prolong his mandate, i.e., give him a formal opportunity to extend the presidential mandate (the so-called “third term”). According to forecasts by some experts, despite the fact that Putin’s mandate will expire in 2008, he might be elected as the first president of the Union State of Belarus and Russia if that is created.

In general, the integration process between Belarus and Russia is not absolutely clear, and the success of integration is usually interpreted according to each commentator’s viewpoint. For instance, Sergei Karaganov is critical of both the present status of Belarus and Russian integration and its prospects. Karaganov mentions four myths with regard to relations between both countries. One such myth is about establishing a Union State. According to Karaganov, cultivation of this myth is beneficial for the Belarusian government, which uses Russia’s subsidies to prolong the existence of the weak Belarusian economy. This myth also helps to preserve the political legitimacy of the Belarusian President.

Despite the tendentious opinions of interested persons in Belarus and Russia, there are many factors that hamper the integration process. Experts mention the following obstacles to Belarus’s integration with Russia:
1. the lack of an effective organizational mechanism for developing integration co-operation between Belarus and Russia;
2. the lack of determination in creating a single economic policy and market relations within the territory of the Union State;
3. the lack of preconditions for establishing a single customs space and a common market for goods, services, capital and labour;

27 Unlike Boris Yeltsin, Putin’s image was connected with his work in security structures; therefore, he could position himself as an authority figure able to provide order and security in Russia. Besides, feeling no responsibility for the collapse of the USSR and failures in economic and social policy during 1990s, Putin did not need to offer the union with Belarus as a compensation to Russian people for these failures, and therefore the “Belarusian vector” was not very topical in the Russian policy. After terrorist acts in Russia, the image of Putin’s “strong hand” was partly lost and the mechanism for unifying Russia and Belarus was started again.
30 Караанов С. Россия и Белоруссия: развенчание мифов / Российская газета, 11.03.2004.
4. the lack of target programmes which ensure competitiveness of producers’ goods through development of co-operation networks between integration partners;
5. the lack of an effective accounting system between economic subjects in the Russian Federation and the Republic of Belarus and the high level of barter deals in mutual trade.

In 2005, a single currency was introduced, the law "On State Regulation of External Economic Activity", the Customs Code and the law "On Customs Tariff of the Union State" were adopted; trade and customs policy administration institutions of the Union State were established; an intergovernmental programme on the provision of a common scientifically technical space was adopted. Nevertheless, the future of the Union of Belarus and Russia remains unclear: is it a "union" of multiple military, geopolitical and economic interests, or is it a union which evolves more like an alliance oriented to protecting its external interests and characterized by self-contradictions?

Another important aspect is that integration with Russia is essential for Belarus not only from the economic point of view but also as a resource for combating a potential revolution: a closer alliance with Russia might enable Belarus to preserve the existing regime and protect it from a potential revolution. This means that when there are serious signals about the threat of a revolution, the Belarusian government may decide to intensify the process of unification with Russia, even if the conditions are not very favourable for Belarus. In other words, the decision is made on the basis of rational choice theory whereby the political actor considers all his gains and losses in a concrete situation and calculates what is better – to lose partial sovereignty and authority or to reach a dead end with unforeseeable prospects.

**Russia’s "gas conflicts" with Belarus and Ukraine**

Conflicts caused by Russia’s export of gas to neighbouring countries are not a feature characteristic only at the end of 2005; such conflicts have a rather long history. Not only the "Orange" Ukraine but also Belarus, which is rather loyal towards Russia, was among Russia’s opponents with regard to issues of gas supply. Sources of the controversy between Belarus and Russia can be found not only regarding the different and uncoordinated tariffs but also in the economic and political context; that is, it is necessary not only to review the issue of gas supply separately but also to discuss it as a part of the whole complex of Belarus’s and Russia’s political and economic relations and differences.

The leading role in these contradictory relations belongs to the Russian company Gazprom, whose empire covers not only the former countries of the Soviet Union but also stretches into the West. The length of its pipelines is 140 thousand kilometers, and the company owns not only natural gas fields but also an aviation company (Gazpromavia), a bank (Gazprombank), a media company (Gazprom-Media), as well as exclusive rights to gas pipes. Since 51% of Gazprom shares are owned by the Russian state, one may conclude that this company is used as an instrument of political pressure. Every company operates on a pragmatic basis, but no economic profit can be gained by selling Russian gas to Belarus and Ukraine at reduced prices. Doing so implies that profitability is based on something else – to subsidize its allies by exchanging inexpensive gas for political loyalty. When partners’ foreign policy priorities change (as in Ukraine after the Orange Revolution) or when the foreign policy position becomes inconsistent (as in Belarus), the Russian government may activate a strong instrument of...
influence. The most precise characterization of relations between Russia, Belarus and Ukraine in the sphere of resource supply was formulated by Burkhard Bischof, an expert at the German newspaper "Die Presse", who noted that the "gas conflict is obviously based not on business-related issues but on politics, power and influence".33

Belarus and Ukraine are not the only countries which became objects of Gazprom politics. For instance, under the leadership of President Vladimir Voronin, Moldova started to re-orient its foreign policy towards the European Union and NATO, and together with Georgia, Ukraine and other countries it became a founder of the informal coalition "Community of Democratic Choice". Moscow perceived this step as contrary to Russia’s interests. As a result, in the beginning of 2006, Gazprom increased its tariffs twice and demanded Moldova purchase gas not for USD 80 but USD 160.34

The conflict between Gazprom and the Belarusian government started in the beginning of 2003, when contradictions appeared regarding the value of the Belarusian gas transport system. In 2002, Lukashenka promised to hand over the system for joint management to Gazprom. There was an agreement that Russia would pay for its part in cash. Belarus set the price for its pipelines at USD 5 billion, but Russia assessed it almost 10 times cheaper. The culmination of the conflict was reached when Gazprom stopped supplying gas to Belarus, and the latter was forced to buy gas from independent suppliers. As a result, the gas conflict between Belarus and Russia left some unresolved problems regarding the Belarusian gas pipelines and increased the price for Russian gas from USD 29 to USD 46. The Belarusian government responded by increasing tariffs for the transit of Russia’s resources to Europe.

The gas conflict between Belarus and Russia ended under conditions that were favourable for Russia, and Belarus was called a "country which remained obedient to Russia, and, unlike Ukraine, is not oriented to political independence from Russia".35

It is also significant that the position of the Belarusian government on Russian gas tariffs changed several times, depending on the political and economic situation. In 2002-2003, Lukashenka called on Russia to supply gas to Belarus for the same prices that were set for the Russian internal market; later, in the beginning of 2004, the Belarusian President announced readiness to adopt principles of market economy. Nevertheless, it should be mentioned that in 2004 the situation between Belarus and Russia in the gas supply sector was settled, and Lukashenka’s comments on "co-operation" with regard to the supply of resources were rather positive.

According to experts who have analyzed the dependence of the economy upon the political state of affairs, the present situation could be resolved if Russia would base its relations with neighbouring countries on market economy principles. For instance, already in 2004 Sergei Karaganov said it was necessary to re-assess the mutual system of settlements between Belarus and Russia.36

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35 Anne Applebaum. Playing Politics With Pipelines. The Washington Post, 04.01.06. // http://www.washingtonpost.com/wp-dyn/content/article/2006/01/03/AR2006010301280.html
36 Караганов С. Россия и Белоруссия: разведение мифов / Российская газета, 11.03.2004.
The European Union’s Eastern neighbours after the Orange revolution

2006 PRESIDENTIAL ELECTIONS IN BELARUS: FORECASTS

In the referendum held on 17 October 2004, Lukashenka received the people’s support for extending his mandate, and he is now actively preparing for the presidential elections to be held in March 2006. Several experts both inside and outside Belarus are convinced of the victory of the present Belarusian President in these elections without falsifying the election results. How can such forecasts be explained? What is the basis for such support of Lukashenka? Since little time is left until elections, are there any factors that could change the situation?

In 2004-2005, several experts assumed that pre-term presidential elections in Belarus would be held; that is, Lukashenka would resign from office with the aim of convening pre-term presidential elections. By carrying out such a maneuver, he could beat potential competitors in the elections. The only potential snag was related to the Prime Minister’s choice: in accordance with Article 89 of the Constitution of the Republic of Belarus, when the office of the President becomes vacant, his power is transferred to the Prime Minister (the new head of the state has to be elected within 70 days). Under such circumstances, there is no guarantee that the Prime Minister will not support another candidate or make a decision to participate in elections himself. In any case, these assumptions did not come true, and in December 2005 an official statement was made that presidential elections will take place in March 2006.

One of Lukashenka’s “cards” in this election is the afore-mentioned favourable economic situation – for instance, the agreement with Russia about gas supplies at practically dumping prices. This achievement of Belarus’s foreign policy is especially important in the context of the Ukrainian "gas scandal" (the end of 2005 and beginning of 2006). As already mentioned, Belarus had similar problems with Russia in 2004, but it managed to settle them and ensure the supply of gas on favourable terms. Thus, by exploiting the rhetoric of "brotherly feelings" towards Russia, the Belarusian government managed to derive a material benefit and to present this fact to the potential voters as a result of a deliberate, purposeful and efficient state economic policy.

To what extent is Lukashenka as the President of Belarus convenient for the Russian government? On the one hand, Lukashenka’s inconsistent position on integration issues and the frequent change of position with regard to integration with Russia are factors that complicate relations between both of these countries; therefore, a more predictable president would be more convenient for Russia. On the other hand, the Russian government is well aware of the political reality, and it understands that another potential candidate to the post of president will (in the best case) consider Russia as only one of its foreign policy priorities, along with the US and Europe. In the worst case, a change of regime in Belarus would be implemented according to the Ukrainian scenario, and then Russia would lose everything it has achieved with regard to integration. Thus, being rationally (pragmatically) aware of the above-mentioned, Russia prefers to choose a partner who is not ideal but who is more or less acceptable – namely, a partner with whom co-operation is, in any case, more desirable than absolutely uncontrollable political developments.

Another Lukashenka “card” is not only support of the people but also unpreparedness of political opponents to conduct a campaign for the presidential election. Despite the fact that the Belarusian opposition succeeded in agreeing on a single candidate for the president’s office – Alexander Milinkevich – there is no confidence that he might become a serious political rival of Lukashenka, especially when considering that other presidential candidates – Alexander Voitovich, former chairman of the Upper Chamber of the Belarusian parliament, Alexander Kozulin, the leader of the Belarusian social democrats, Valery Frolov and Sergei Skrebets, former members of parliament, Zenon Poznyak, leader of the Conservative Christian Party of the Belarusian Popular Front, and Sergei Gaidushenko, chair-
man of the Liberal Democratic Party – will compete with Milinkevich and garner a part of the potential votes. In general, "The Washington Post" characterizes the unreadiness of the Belarusian opposition as follows: "...the Belarusian democratic opposition... has only few weeks left before conducting the election campaign without the benefit of mass media, money or the right to free assembly".

As a whole it is possible to consider several scenarios in Belarus. Belarus following the European way is possible, but in comparison with Ukraine there are a number of difficulties. Heinz Timermann points to a set of political factors in Belarus which were absent in Ukraine. For example, the judicial authority, which should be the independent arbitrator, actually is dependent on the president of Belarus (according to the Constitution, the president of Belarus has the right to influence judicial authority even more than the president of Russia). The economy and financial transactions in Belarus are concentrated in hands of the state, therefore oppositional forces have little financial support. In Ukraine a significant part of the political elite turned away from the president and was ready to support the charismatic opposition candidate Victor Jushenko. In Belarus a considerable group of political actors do not support A. Lukashenka actively, but are hesitant about the prospects of the potential opposition candidates. That's why the question of supporting a single candidate from the opposition is not solved yet. Nevertheless if the Ukrainian scenario becomes a reality, Lukashenka can replace his politics of "neutrality" by cementing ties to Russia for the purpose of crushing a colour revolution.

However, opinions about Russia's close integration with Belarus vary, and, looking towards Europe, even counter productive. The Europeanization of Belarus can be also good for Russia, which, thanks to democratization in Belarus and Ukraine, could strengthen its cooperation with the EU. The present political regime in Belarus, supported by Russia, is not welcome in Europe. Reviewing its relations with Belarus, and supporting its democratization, Russia could become a natural aspirant toward EU membership.

There are additionally two levels of the perception with regard to possible change that could be mentioned; the one based on the possible new power establishment, the other on society. If Lukashenka should lose power, the situation becomes unclear because: (a) at present moment the Belarusian opposition is not consolidated; (b) no charismatic leader; (c) no agreement about common values and rules of the game; (d) competition for privileges and resources inside the opposition – a struggle for power is possible. Social characteristics can be defined as the following: (a) the biggest part of society, with the exception of some social groups and categories, is not ready to accept democratic changes; (b) the negative experience of Ukraine might influence the common "mood" and attitudes in society; (c) the relative stability of life, established by Lukashenka is a strong argument for the present regime; (d) conflicts between Lukashenka regime supporters and those supporting democratic change are possible.

One more scenario is related to development of present situation: neither Russia, nor the West have taken any serious steps to overthrow the Lukashenka regime. For Russia Lukashenka is not the best partner (because of his unpredictability), but he is considered acceptable for the "Russian-way". The formula "Russian cheap resources in exchange for Belarusian loyalty" can be upheld and even developed. At the same time Russia can not overtly actively support the Lukashenka regime because of the

39 Ibid.
Ukrainian “negative experience”: supporting Victor Janukovich resulted in producing the opposite effect. Secondly, if Russia should do so, Moscow would have to take responsibility for the antidemocratic situation in Belarus and this will worsen Russia’s image in the world. The West on the one hand condemns Belarus for antidemocratic features, but, on the other hand, continues to maintain contacts and a dialogue with the Belarussian government concerning transit, visas, migration, trade, etc.

There is a third possibility – Russia picks another favorite, who would be subordinated to the Kremlin. However this is highly improbable, since a Janukovich replay could happen as in Ukraine, secondly, the West has its own candidate. However, this scenario can be considered as possible in 2011 (or earlier, if Lukashenka for any reasons will leave his post).

Alexander Kozulin, one of the presidential candidates, notes that the re-election of Lukashenka for a third term will negatively affect the future of Belarus; the state would have an illegitimate president and Belarus would become isolated internationally.

Kozulin sees the future of Belarus in its advantageous geographical location as a transit hub between Russia (strategic ally of Belarus) and Europe (strategic partner). The development of the geopolitical corridor of Moscow-Minsk-Berlin would fulfil its special role of servicing the transportation infrastructure. The main obstacle to this is the present political regime in Belarus and the need for modernization of the economy. Insufficient western investments in Belarus are directly related to uncertainties in the political future of Belarus and lack of appropriate legislation⁴¹.

Thus, Belarus remains by a zone of uncertainty and crossing of Western and Russian interests, but little room for change in the near future.

CONCLUSION

The development of Belarus’s domestic policy will depend on several factors both inside and outside Belarus. There are no reasons to conclude that Belarus is becoming democratized; moreover, the state administration is trying to consolidate its authority, extend its mandate and prevent an increase in the influence of political opponents.

Despite the fact that the Ukrainian case might serve as an example for implementing in Belarus a scenario analogous to the coloured revolution and the fact that there are some common features between Belarus and Ukraine, there is a combination of several factors which prevents one from predicting that a serious movement could form in the near future and change the existing Belarussian political regime as was done in Ukraine. First of all, there is a strong one-man rule in Belarus: the Belarussian political regime is based on Lukashenka’s personality. The current president holds in his hands the most important mechanisms for controlling the situation, and he is methodically developing and perfecting them. As long as Lukashenka is in power, no radical changes will take place in Belarus. Second, the consolidation of the Belarussian opposition is weak. Despite the fact that the opposition managed to articulate a more or less common vision, it is not strong enough to compete with the ruling power. Third, there is no internal dichotomy ("West versus East"). In Belarus, there are no tense relations between the western and eastern regions of the country, a factor which played a crucial role in Ukraine. Fourth, Lukashenka is largely supported by the people. There might be various discussions about the reasons for and extent of such support, but it cannot be denied that certain classes of inhabitants support Lukashenka’s regime. Fifth, in case the scenario of revolution is implemented in Belarus, Lukashenka

⁴¹ Александр Козулин не исключает, что Белоруссии ждет еще большая изоляция // http://www.kozylin.com/node/659
still has an opportunity to make a political maneuver – to intensify the integration process with Russia even if the conditions are not very favourable for the Belarusian government. Despite the fact that the integration process between Belarus and Russia is not completed (according to some experts, there is no real integration at all), the potential for integration is an important resource which can be activated so as to substantially change the political situation both in Belarus and Russia. In this context, it is necessary to mention that the official statement describing Lukashenka’s and Putin’s meeting promised important steps (including approval of the Union’s Constitution and introduction of the Russian rouble in Belarus) toward a long-discussed “union”, which, according to "The Washington Post", may end the existence of Belarus as an independent country\textsuperscript{42}. Besides, the parliamentary elections which will be held in Ukraine immediately after the presidential election in Belarus in March 2006 and which can weaken the democratic forces on the Ukrainian political stage could become the mark of the region’s counter-revolution\textsuperscript{43}.

Due to the fact that the presidential election was regarded as a possible signal for the start of the revolution in Belarus, Lukashenka managed to "beat" his opponents, by calling upon the parliament to set the date for the presidential election in March 2006: it is absolutely clear that the revolution will not be prepared until the presidential election\textsuperscript{44}. Therefore, the political situation in Belarus will not radically change in the near future, at least until the presidential elections in March 2006, and hopes for a coloured revolution are, at least for now, illusory. A lot will depend upon the opposition – upon its ability to continue co-operation and its readiness to make compromises, irrespective of ideological contradictions. Besides, the opposition’s strategy of becoming a united political movement, which is ready to offer an efficient alternative political course, is a factor that can significantly change the political situation in Belarus in future. Another important issue related to the status of the Belarusian opposition is the support of people, which, for the present government, is much more stable than that of its political opponents.

Another element of Belarus’s and Russia’s relations is the role of Russia as a gas supplier to its neighbouring countries. On the one hand, Russia can artificially regulate relations with its neighbours with the help of a gas pipe, and, of course, Russia has a certain freedom in regulating its gas tariffs; on the other hand, it is also necessary to discuss the fact that Russia’s pressure upon its neighbours (using the policy of gas supply) may cause problems for Russia itself and complicate its status in the international arena: as of 1 January 2006, the Russian Federation is holding a one-year presidency of G8\textsuperscript{45}; moreover, Russia has claimed to put "energy security" issues at the top of the G8 agenda. However, gas conflicts between Russia and Ukraine caused a lot of criticism in the Western countries. For instance, Condoleezza Rice, the US Secretary of State, announced that Russia uses its energy resources as a political weapon\textsuperscript{46}. She also noted that Russia stopped supplying gas to Ukraine because of political motives; thus, some questions arise concerning Russia’s G8 presidency and the role of this country in the global economy. A similar reaction was shown by governments of the EU countries. Besides, the gas conflict may become an obstacle to Russia’s accession to the World Trade Organi-
The European Union’s Eastern neighbours after the Orange revolution

zation: Russia’s position has already been called a violation of WTO’s moral principles. Thus, Russia’s economic relations with its neighbours in the gas supply sector are, first of all, related to political affairs and become the subject of the political market; second, they include not only bilateral contacts between the directly affected parties (Russia, on the one hand, and Belarus and Ukraine – on the other hand) but also some other actors on the political stage (for instance, Europe and the US), which can influence the character of these relations.

The fact whether Belarusian official power will manage to falsify the results of the presidential election is doubtful: the US and Western Europe have already announced their readiness to invest large sums of money in monitoring the election process. Still, another issue is related to legitimacy of Lukashenka’s presidential power after elections. On the one hand, if Lukashenka is again elected the President of Belarus, it is the choice of Belarusian people; on the other hand, the legitimacy of such presidency will be questionable, especially taking into consideration the fact that the referendum on extending the presidential mandate was held with the aim of usurping power, and it was criticized both in the West and even in Russia.

KALININGRAD IN EU-RUSSIA RELATIONS

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Kaliningrad is an essential part of the EU-Russia relations. However, it was elevated to the top of the EU-Russia relations’ agenda only in late 1999 when Russia acknowledged that the EU enlargement became inevitable and coined the “pilot region” idea. After the break-up of the Soviet Union Kaliningrad became exclaves of Russia, but with the EU enlargement in the year 2004 Kaliningrad became an Russian enclave within the territory of the EU, surrounded by Poland and Lithuania.

It is not the aim of this paper to dig deeply into the empirical realm of Kaliningrad’s development or into this region’s place on the agenda of the EU-Russia relations. This paper aims at describing, first, various perspectives that were used to approach Kaliningrad region after the Cold war. Against the background provided in the first chapter the second chapter will deal with issues that have been almost universally considered as the most important in the run-up to the 1 May 2004 EU enlargement, thus helping to assess the impact of the EU enlargement on Kaliningrad. The third chapter will put Kaliningrad’s place on the agenda of the EU-Russia relations in a perspective. The author will also try to point out to other factors that may play a role in Kaliningrad’s development in the coming years. Some conclusions will be offered in the concluding part of the paper.

DEBATES ON KALININGRAD: PAST AND PRESENT

Kaliningrad issue has come up in several contexts both in academic and political debates. The author does not aim to provide a definite list of contexts and issues, but rather to depict the process of how debates on Kaliningrad have evolved over time during the post-Cold War period:

1. Kaliningrad and regional cooperation in the Baltic Sea region (BSR). Studies in 1990-ies stressed the importance of the Russian enclave in the context of regional cooperation in the Baltic Sea region. It is seen as an important tool for engaging Russia in regional cooperation networks.

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1 This article is a shorter version of a research paper prepared by the author for the Strategic Analysis Commission under the Auspices of the President of the Republic of Latvia that will be published in February/March 2006.
2 Exclave is an isolated part of a state that is surrounded by the territory of another state or states. It is simultaneously an enclave in relation to the country within which it is located. An enclave can possess access to sea. It can also be surrounded by more than one state. The decisive criterion is its separation from the respective mainland. Vinokurov, E. Establishment of Corridors in the Context of Exclave-Mainland Transit. 2004.
3 Enclave is a state that is entirely enclosed within the territory of another state or a part of the territory of a state that is entirely enclosed within the territory of another state. Vinokurov, E. Establishment of Corridors in the Context of Exclave-Mainland Transit. 2004.
2. NATO enlargement and military-strategic importance of Kaliningrad. The debate regarding Kaliningrad also focused on military aspects (impact of NATO enlargement and Russian reaction to the expansion of the alliance) and the military-strategic importance of the exclave for Russia. Due to the drastic reduction in size of the Russian armed forces in the region this debate has lost its momentum.

3. Impact of being cut-off from mainland Russia on society in Kaliningrad. The issue (and impact) of remoteness from mainland Russia has also been discussed because several Western European capitals (e.g. Warsaw, Berlin) are located much closer to Kaliningrad than Moscow. This has also a certain impact on identity and travelling habits of inhabitants of the exclave. Studies have shown that people travel much more frequently from Kaliningrad Westwards than Eastwards. About half of the population of the exclave have not travelled to the mainland Russia after the break-up of the Soviet Union.

4. Pre-2004 speculations on the impact of the EU enlargement. After the NATO enlargement in 1999 and with the growing awareness of the inevitable expansion of the EU the debate shifted towards speculations on the impact of the EU enlargement on the development of the Kaliningrad oblast. This debate has produced both very optimistic and pessimistic views about perspectives of the exclave’s development ranging from the opinion that Kaliningrad stands to benefit substantially from the EU enlargement to a rather pessimistic prediction that competitiveness of the oblast lags far behind its neighbour competitor states in the region who receive substantial funding from the EU.

5. Post-2005 assessment of the impact of the EU enlargement. Although less than two years after the May 2004 enlargement may seem as insufficient time period to assess the impact of the EU enlargement, several studies have been produced that are trying to provide first assessments of the impact of the EU enlargement on Kaliningrad. These studies show that the EU enlargement did not have an immediate negative impact on the region’s economy. However, the transit arrangements that were agreed between the EU and Russia prior to the enlargement had to be re-adjusted after May 2004 to ensure better functioning of these arrangements.

6. Kaliningrad and Russia’s accession to the World Trade Organization (WTO). Kaliningrad was granted the status of a Free economic zone (FEZ) already in 1991, but its status was changed later on, and Kaliningrad was transformed into Special economic zone (SEZ). However, SEZ regulations didn’t deliver the expected results because of the frequent changes in SEZ regulations. The impact of SEZ has been a matter of discussions, but recently a new twist was added to the SEZ functioning when the new SEZ law that would give Kaliningrad a special legal status in business, production and investment for 25 years was passed in 2005 and signed by Vladimir Putin in mid-January 2005. Although regional administration is looking forward to reap benefits from the new SEZ law, there are still questions regarding compatibility of the law with the expected Russia’s WTO membership.

The above list of debates regarding developments in and about Kaliningrad is not exhaustive because other issues (such as Kaliningrad as an environmental threat to the Baltic Sea ecosystem) have been paid much attention as well, but the aim of the author was to show how the discussion has evolved over time.

While not trying to undermine the validity of the abovementioned debates, it is worth noting that the growing presence of the EU in the Baltic Sea area both with 1995 and 2004 enlargements has influenced the ways in which scholars and practitioners approach Kaliningrad, and, arguably, these

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4 The economic impact of the EU enlargement and forthcoming change in legislation of the special economic zone upon the Kaliningrad region. Edited by K. Liitso. RECEP, Moscow. 2005.
5 Kaliningrad aims to attract investors with new economic status. RIA Novosti. 17.01.2006. www.kaliningradexpert.org
days most of the discussions about the asymmetric triangle of Kaliningrad-EU-Russia relations approach the region from three perspectives:

1. The triangle of the EU-Russia relations can be approached from the perspective of Kaliningrad being seen as an issue for negotiations and bargaining. Here Kaliningrad is a card in the high politics game played by the EU and Russia, and one can try to assess the attention that is given to Kaliningrad on the high politics level (important or not important issue) and how the Kaliningrad card is played by Russia to develop its strategic relationship on two levels: both with the EU (multilaterally) and its member-states (bilaterally).

2. Another way to approach this triangle is from the perspective of EU-Kaliningrad relations. Here one can try to look at the process of how Kaliningrad oblast becomes an international actor in its own right and how this region becomes internationalised. An important aspect of this discussion is constraints put on the Kaliningrad regional government by federal authorities.

3. The third way of looking at relationships within this triangle is from the perspective of centre-periphery relationships in the Russian Federation. Relations between federal and regional governments become the main object of analysis. During Vladimir Putin’s second term these discussions have gained a new momentum because of the centralization of power in the hands of the federal centre.

Although analytically distinctive these three approaches to the Kaliningrad-EU-Russia relationship triangle cannot be separated one from another on the policy level. Possibility of influence coming from other international actors and processes such as Russia’s possible accession to the World Trade Organization (WTO) cannot be excluded. This cross-cutting approach is adopted in this paper because, while placing Kaliningrad in the framework of the EU-Russia relations, Kaliningrad is also treated as a subject on its own, not forgetting Moscow’s constraints on Kaliningrad and the impact of Russia’s WTO membership.

**POINTS OF CONCERN IN THE PRE-ENLARGEMENT PERIOD**

Kaliningrad has been pictured in many different and very often controversial ways in the public discourse. The most notable examples are Baltic Hong-Kong, black hole, pilot region and litmus test. However, when the 2004 EU enlargement date came closer, it became clear that Kaliningrad is somewhere in-between these controversial images. Therefore the main issues discussed in the pre-enlargement period were concerned with practical issues and the possible impact of the EU enlargement on Kaliningrad. The most notable issues were implementation of the visa regime, the impact of the EU enlargement on competitiveness of Kaliningrad’s economy and on the energy supply in the region.

*Implementation of the visa regime.* Introduction of the visa regime was the most hotly debated and politically significant issue in the pre-enlargement period because despite the remoteness of the region, the inhabitants of Kaliningrad have rather close ties with mainland Russia. This is proved by the fact that in 2001 there was 1.5 million border crossings registered on the Kaliningrad-Lithuanian border with the goal of travelling through Lithuania to mainland Russia. The visa issue was politically significant because it had a direct impact on large numbers of people in Kaliningrad as many of them didn’t have passports valid for travelling abroad (until the end of June 2003 it was possible to cross the Russian Lithuanian border using documents other than passports). Thus implementation of the visa regime might seriously impede mobility of people living in Kaliningrad. This was especially the case for shuttle traders of whom there are approximately 10,000 (from the roughly 1 million population of the region).

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6 Other sources mention different numbers. E. Vinokurov mentions that 20,000 to 40,000 families might become affected by the EU enlargement and stricter border controls. Cited in Liuhto, K. *Kaliningrad 2020: Its future competitiveness and role in the Baltic Sea economic region.* Edited by K. Liuhto. RECEP, Moscow. 2005, p. 10.
Although Russia vigorously insisted that the previous system should be maintained, a new system of Facili-
titated Transit Document (FTD) and Facilitated Railway Transit Document (FRTD) was agreed upon. Imple-
mentation of the new system was seen as somewhat problematic because its regulations were changed
several times and there were long lines of cueing people in front of both Lithuanian and Polish consulates
in Kaliningrad. Minor deficiencies were solved, and today the percentage of rejections does not exceed
1% of applications for FTD and FRTD. However, the regime of transit of goods that has been put in place
clearly does not satisfy Russia’s interests thus creating room for tensions in future.

Economic competitiveness of Kaliningrad. There are two ways of looking at the issue of Kaliningrad’s
competitiveness. First, data on region’s economy performance reflect rapid and stable growth in 2004
therefore the EU enlargement should not be seen as a process that would hamper regions’s economic
development perspectives. However, with the shadow economy according to available studies ran-
ing from 50% to 90% little can be said about the real growth patterns in the region. Besides, Kali-
ingrad experienced only a modest increase in foreign direct investment (FDI) in 2004 therefore one
can argue that there has not been observed an investment boom after the EU enlargement. Second,
experts (e.g. S.Dewar) have raised concerns that Kaliningrad doesn’t have almost any comparative
advantage over its competitors in the region because contrary to the situation in Poland, Lithuania and
Latvia where the EU provides extensive assistance, in Kaliningrad too little has been invested in rebuil-
ding the regional infrastructure. Dewar argues that it is impossible with very modest financial means
(Tacis and Russia’s own state and private investment) to rebuild the regional infrastructure. New EU
member states are far better placed to attract FDI than Kaliningrad due to the asymmetric access to
the EU funding.

Energy supply. Apart from amber9 the Kaliningrad region is not rich in natural resources. There is oil,
but its amount is not enough to satisfy demand in the region, and it has to be exported to Lithuania
for refining, therefore Kaliningrad is heavily dependent on external energy supplies. Christian Well-
man pointed to this problem already in 19968. Also most of the electricity was then imported from
Lithuania, and remoteness from Russia placed a heavy financial burden on the region because, for
example, the price of coal rose four times during the 1990s due to transit and transport costs. Vladi-
mir Putin himself promised to solve the problem of energy supplies when he attended Koenigsberg’s
and Kaliningrad’s 750th anniversary10, but this has not happened yet.

KALININGRAD’S DEVELOPMENT PERSPECTIVES

There is a great variety of opinions on the issue of Kalinigrad’s future development. However, these
can be divided in two groups. First, there are opinions and speculations about Kaliningrad’s deve-
lopment that are based on assessment of one or several factors, thus providing a partial vision of direc-
tion in which Kaliningrad may be moving. There are scenarios where only one factor such as lack of
comparative advantage to its neighbours is emphasized (e.g. S.Dewar). More complicated visions of
Kaliningrad’s future include, for example, a collection of articles edited by Kari Liuhto where different
aspects of Kaliningrad’s development are assessed11. The variety of opinions in this valuable volume

8 Kaliningrad is home to approximately 90% of the world’s amber reserves.
9 Wellman, C. Russia’s Kaliningrad Exclave at the Crossroads. The Interrelation between Economic Development and Security
10 The idea is that Kaliningrad will be connected to the Northern Gas pipeline that will connect Russia and Germany.
11 Liuhto, K. Kaliningrad 2020: Its future competitiveness and role in the Baltic Sea economic region. Edited by K.Liuhto. RECEP,
Moscow. 2005.
can be explained with different perspectives that scholars have used to approach Kaliningrad region. One has to take into account many factors that influence Kaliningrad’s development such as the idea of a pilot region\textsuperscript{12}, Moscow’s interests regarding the future development of the region, impact of international actors and processes on Kaliningrad, possibilities of region-based development scenarios etc.

Second, other scholars have approached the issue of Kaliningrad’s future development differently by trying to construct scenarios of the region’s future development. These scenarios are constructed on the basis of careful analysis taking into account influences from different actors and processes. For example, Sergei Medvedev has separated Russia-based development scenarios from EU-based scenarios thus emphasizing that cooperation in the case of Kaliningrad between the EU and Russia should not be taken for granted. Medvedev sees the best opportunities for Kaliningrad’s development in a scenario where the pilot region concept has been filled-in and where the EU becomes a truly global player and Russia moves in the direction of liberal democracy\textsuperscript{13}.

Evgeniy Vinokurov analyses Kaliningrad’s development from the perspective of external influence by implementation of the “four spaces”, the EU enlargement, Moscow’s policy towards Kaliningrad and Russia’s WTO membership. Vinokurov suggests that Kaliningrad can be included into the “four spaces” project as a pilot region with special privileges\textsuperscript{14}.

In principle the author of this paper would agree with Medvedev and Vinokurov, but the author of this paper has several reservations with regard to the construction of Kaliningrad’s development visions. Although these scenarios offer a structured vision of the region’s future, there are questions that should be asked in order to understand better the ideas that are behind them. The first question that would help to separate development scenarios is whether Kaliningrad is going to be (or should be) treated as a special case and whether it deserves special privileges? In fact, Kaliningrad, when compared to other Russian regions, is not as poor and a problem-ridden region as it has often been pictured. The second question is whether Kaliningrad’s growth is going to be Kaliningrad-based, Russia-based, EU-based or a certain combination of all three? Although, until now there are persistent uncertainties in this respect, it seems that Russia is ready to treat Kaliningrad as an exception, while simultaneously maintaining Kaliningrad SEZ. Undoubtedly, Kaliningrad stands to benefit substantially if SEZ regulations are not changed as frequently as it has been done before, but Russia’s accession to the WTO can potentially reduce benefits that can be obtained from the successful functioning of SEZ, therefore it can be argued that the highest benefits for the region can be extracted from a closer partnership between Russia and the EU.

With regard to two questions that were posed above, the author of this paper would like to provide two perspectives of Kaliningrad’s development in the short and medium term future. First, Kaliningrad does not become a special case for EU-Russia relations because partnership between the two sides (four spaces and the road map) develops at a speed that makes application of exceptional conditions for Kaliningrad unnecessary. However, both positive and negative trajectories of development are possible within this perspective therefore regional administration is not in favour of such a development of events.

\textsuperscript{12} One has to take into account persistent uncertainties around the pilot region concept. For further analysis see Makarychev, A. and Prozorov, S. The Logic of Piloting and Trans-border Regionalism. The project-oriented approach in EU-Russian cooperation. DIIS Working Paper 2004/22. 14-22. lpp. www.diis.dk
Second, development of the EU-Russia partnership is not as rapid as in the first scenario therefore there is more room for applying an exceptional status to Kaliningrad. In this perspective the idea of a pilot region is filled with real substance, and Kaliningrad becomes a test case for EU-Russia cooperation. Exceptionalism can take many forms, but it is most likely that special privileges in this case would include signing a special agreement (former governor of Kaliningrad Vladimir Egorov was in favour of such an idea) or establishing a visa-free regime that would greatly increase mobility of people living in the region. This scenario does not preclude the functioning of a SEZ and Russia-based development efforts.

CONCLUSIONS

Kaliningrad is a very interesting case to watch, and undoubtedly it is a test case for EU-Russia cooperation, but it has to be noted that Kaliningrad has disappeared from the top of the things-to-do list of EU-Russia relations because the most urgent problems concerning the introduction of visa regime have been solved prior to the EU enlargement. This has happened because both Russia and the EU lack a clear long-term strategy or perspective for developing Kaliningrad. As a result Kaliningrad is elevated to the top of decision-makers’ agenda only under conditions of time pressure as it happened before the last EU enlargement round when arrangements for transit through Lithuania simply had to be agreed upon. If this trend is to continue then we are not going to witness Kaliningrad appearing on the top of decision-makers’ agenda any time soon. If visionary politics is substituted with down-to-earth politics then Kaliningrad will have to stay somewhere between uplifting visions of a Baltic Hong Kong and the nightmarish visions of this region as being the black hole of the Baltic Sea area.

There is no evidence that enlargement has had a negative impact on the socio-economic development of the region therefore it seems unlikely that Kaliningrad would soon receive as much attention as it did receive before the enlargement. However, this does not mean that it has ultimately disappeared from the political agenda.

It is difficult to assess the status of Kaliningrad in the framework of the EU-Russia relations, but arguably there is enough evidence that points in the direction that Russia uses Kaliningrad as a bargaining chip. This strategy was used before the enlargement when transit arrangements were negotiated. Also, the Kaliningrad’s (Koenigsberg’s) 750th anniversary was used by Vladimir Putin to meet French President Jacques Chirac and German Chancellor Gerhard Schroeder. Analysts have called this occasion as missed opportunity for Kaliningrad because this summit became notoriously famous for making jokes about British and Finnish cuisine and the British contribution to EU agriculture rather than dealing with issues that would foster development of the region that hosted this summit. It seems that Russia is less interested in genuine development of the Kaliningrad region and more interested in pursuing its own agenda using Kaliningrad as a card that can be played out when bargaining with the EU.

15 Dewar, S. Lost opportunity. 16.08.2005. www.kaliningradexpert.org
16 Helm, T., Samuel, H. Chirac: ‘The only thing the British have ever given European farming is mad cow’. 05.07.2005. www.telegraph.co.uk
THE POST-ORANGE ERA. POLITICAL COMPROMISES, REFORM BACKLOGS AND ENERGY CRISIS IN UKRAINE

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“Ukraine” is no longer a place “at the edge.” After centuries of foreign rule and a peripheral location in various empires, after two world wars, famine, Stalinist repressions and the catastrophe at the Chernobyl nuclear power plant, Ukraine has since 1991 been a sovereign state. To date, the most important result of the transformation is the fact that, despite regional differences, conflicting sectoral and regional interests, Ukraine has managed to endure as a state. The years of post-Soviet orientation were marked by the evolution of a regionally extremely diversified oligarchy, continued corruption and little readiness on part of the political elite to carry out reforms. Unlike the revolutions of the years 1989 to 1991, the Orange Revolution and the other coloured revolutions in Eastern Europe did not bring about a replacement of the former elite, but rather a rotation of power.

The orange upheaval in Ukraine brought to the helm a generation of politicians who, as technocrats and economic reformers, promised new initiatives in politics and economy. One year later, disillusionment has started to spread. Two governments appointed by President Yushchenko have fallen in the period from January 2005 to January 2006. The benevolent attitude of the West has changed. Although the EU granted Ukraine the status of market economy at its December 1, 2005 summit, the step was mainly symbolic. The reason for this gesture on part of the EU was more to stabilise the orange powers than to put a quality stamp on the corrupt, nepotistic, non-transparent and declining Ukrainian economy. The greater part of the road that Ukraine must travel as part of the European Neighbourhood Policy Action Plan still lies ahead. Nevertheless, the EU’s decision was seen as partial victory for Yechanurov’s government. The resale of the historic Kryvorizhstal steel works in the south of the country to global market leader Mittal Steel in October 2005 was seen as a yet another successful move by the Cabinet.

1 “u krainy” = at the edge [Ukr./Russ.].
4 See Yushchenko’s speech in Russian on the day of his inauguration on the official website of the Ukrainian president. http://www.president.gov.ua/ru/news/data/11_2218.html
POLICY AS COMPROMISES MADE BY THE POLITICAL ELITE

Yuri Yechanurov was unexpectedly appointed as prime minister in September 2005, after President Yushchenko had dismissed Tymoshenko’s government and signed a joint memorandum with former opponent Viktor Yanukovych. Without this compromise document, it would have been impossible for parliament to form a government. With this memorandum which, among other things, guaranteed freedom from prosecution to the manipulators of the presidential elections, the Ukrainian revolution was finally brought face to face with the realities of the post-orange era. A disappointed intelligentsia turned away from Yushchenko. In an emotional article in the leading weekly Zerkalo nedeli, journalist Sergey Rachmanin accused Yushchenko of betrayal and personal power politics. Rachmanin wrote that he and many of his fellow countrymen had apparently stood at “another Maydan” than Yushchenko.7

However, despite the compromises made by the elite, even the 14th government of post-Soviet Ukraine was from the very start a transitional Cabinet. There were more technocrats than reformers in the new executive. Yushchenko had lost his courage and, under pressure from the opposition, agreed to make compromises. Yechanurov, who prior to his appointment had been governor of the region of Dnepropetrovsk, was himself from Russia. He had been a member of government under all previous presidents of the new Ukraine since 1993: deputy economics minister and economics minister under Kravchuk and Kuchma. The government was faced with the task of stabilising domestic policy, finding agreement with the regional “clans” in Dnepropetrovsk, Donetsk and Kiev, and continuing the foreign policy course of the previous governments. It was, however, unable to survive the parliamentary election campaign and the gas conflict. On January 10, 2006, parliament voted for dismissal of the government in a vote that remains questionable in regard to its legitimacy.8

The twelve months since Viktor Yushchenko’s inauguration on January 23, 2005 must be seen as a retreat from Maydan. Replacement of the persons at the head of the state has not led to radical changes in society: the unchanged behavioural patterns of the elite, corruption as the moving force behind political power and economic decisions, the practice of informal communication could not be eliminated through a change of government. The Orange Revolution was able to achieve a change of leadership, but not a change of the system. Already in November 2004 it was clear that none of the political players would “carry off an undivided victory”.9 At the end of 2005, the orange camp was divided, the alliance between Yushchenko and Tymoshenko had collapsed, and the opposition was gaining ground. The political “dream couple” of the Eastern European transformation – Yushchenko and Tymoshenko – had from the very start been a partnership not meant to last. Their different backgrounds – she with her family background in the soviet party apparatus and her rapid rise to the top of the Consolidated Energy Systems of Ukraine; he as a tradition-conscious Ukrainian patriot

8 “Ukraine: Regierung stürzt über Gaskonflikt.” Spiegel-online.de, January 10, 2006. http://www.spiegel.de/politik/ausland/0,1518,394460,00.html The dismissal was carried out pursuant to Article 87 of the previous Constitution. This stipulates that no less than one third of the deputies must support a motion for dismissal of the government. The Rada, however, voted without submission of such a motion. Article 87 also forbids dismissal of the Cabinet within a year of the parliament’s approval of the government programme. A Constitutional Court was unable to establish the legitimacy of the dismissal, since parliament had refused to appoint six Constitutional Court judges. I would like to thank my colleague Eberhard Schneider in Berlin for this information.
and professional banker of international renown and, since 1996, a technocrat with powerful connections – as well as the distinct desire of both for power and influence sundered the revolution’s pragmatic alliance.

The popularity of the political opponents – the Party of the Regions – began to increase with the disintegration of the Tymoshenko government and with accusations of corruption and illicit gains by members of government and politicians close to the president in the late summer of 2005. The press conference held on September 5, 2005 by Olexander Sinchenko, the erstwhile chief of the Presidential Office who had just handed in his resignation, precipitated the government crisis that brought all reforms to a halt and had a sobering effect on views in the West about the capacity of the new political leadership. The dismissal of Tymoshenko’s government followed, accompanied by further disclosures and accusations. The attempts of the prime minister to push through a price freeze on gasoline and fuel oil had early on led to tensions between president and prime minister, and above all between Tymoshenko and the head of the Security Council, Petro Poroshenko. With all sides blocking each other, the government was unable to function. In addition, relations with Russia had been seriously disturbed by the looming gas conflict, so that Yechanurov’s government, incumbent since September, had no time to develop a reform concept and take political action.

The results of president Yushchenko’s first year in office are disillusioning. The “Ten Steps towards the People” programme that Yushchenko announced in 2005 has been carried out only to a small part. The domestic policy achievements claimed by the government are: an increase in the maternity allowance; profits from the privatisation of Kryvorizhstal; the market economy status granted by the EU and the USA; the shortening of compulsory military service. The foreign policy achievements: withdrawal of Ukrainian troops from Iraq; establishment of the Community of Democratic Choice; rapprochement between Ukraine and the EU and NATO. Reform of the economy, public administration, tax legislation, healthcare and education is part of Yushchenko’s programme; however, the reforms have so far been neither launched nor implemented.

**MARKET ECONOMY STATUS DESPITE REFORM BACKLOGS**

Up to September 2005, there existed de facto three governments in Ukraine. The Tymoshenko Cabinet, the Presidential Office with Olexander Sinchenko, and the National Security Council of Ukraine with Petro Poroshenko. These three power verticals frequently contradicted each other in their decisions, making clear that there was dissent among the power structures. This became particularly obvious during the privatisation campaign pursued by Yulia Tymoshenko and Viktor Yushchenko, when the responsible departments were steering in the opposite direction. An ominous list of companies to be reprivatised included either “approximately 20” or “up to 3,000” names, depending on the source of the information. The opposition accused the government of using “administrative resources” to intervene in economic and corporate decisions.

12 See below for neglected opportunities to carry out economic reforms.
The European Union’s Eastern neighbours after the Orange revolution

Real GDP growth (%)  | 2003  | 2004  | 9/2005  
--- | --- | --- | --- 
9.6 | +12.1 | +2.8 
Inflation rate (%) | 7.8 | 11.8 | 14.5 
Trade balance (billion USD) | -0.317 | +0.527 | -1.129 
Unemployment (%) | 3.5 | 3.4 | 2.8 
Direct foreign investments (current; billion USD)* | 6.658 | 8.360 | 9.061 (July 1, 2005) 
Direct foreign investments (new; billion USD)* | 1.411 | 1.711 (estimate) | – 
Net foreign debt (billion USD at end of each period)* | 8.9 | 11.2 | 11.6 (July 1, 2005) 


The “reprivatisation campaign” of the Tymoshenko government turned into a power struggle of the oligarchs. The objects to be reprivatised were the industrial companies that the government considered to have been illegally acquired by their new owners. Kryvorizhstal is the flagship of the Krivoy Rog metal industry. In post-Soviet Ukraine, Kryvorizhstal was one of the industry’s most lucrative objects. Before the end of the Kuchma era, the company was acquired in a not particularly transparent manner by his son-in-law and oligarch Viktor Pinchuk from Dnepropetrovsk and Rinat Achmetov from Donetsk, although numerous foreign investors had also submitted bids. At the incentive of the Tymoshenko government and the president, new bids were invited for purchase of the steel plant.

In October 2004, Mittal Steel, run by Indian billionaire and global market leader Lakshmi Mittal, acquired the company for 4.8 billion USD. Once again, Mittal had applied the “method” named after him, having already purchased Karmet, the ailing Kazakh steel colossus, and putting it back on its feet: Mittal not only buys large loss-generating companies in Eastern Europe, but also attempts hostile takeovers of major competitors such as the European steel giant Arcelor. For President Yushchenko and the Yechanurov government, the sale of the company was an economic and political success – the only one in the one-year tenure of the orange government. However, more and more voices in Ukraine are being raised against reprivatisation as an illegitimate form of government intervention in private business.

Pinchuk is refusing to accept the reprivatisation and intends to take his case to the European Court of Justice where his chances of winning are by no means small. Mittal, however, is proceeding to break up the huge combine into separate companies, so that by the time the case is decided in court the object under dispute may no longer exist as such. The legal questions raised by this reprivatisation will deter a new government from further major reprivatisation attempts. Acquisition of the Nikopol ironworks by Kuchma son-in-law Viktor Pinchuk (Prideprovje/Interpipe) in August 2003 was found to have been unlawful and declared invalid by the Tymoshenko government and Ukraine’s High Court of Arbitration at the end of August 2005. In January 2006, Ukraine’s Supreme Court dismissed a motion by Interpipe to contest the decision. However, in February 2006, the Ukrainian parliament voted against the announcement of a new invitation to tender and resale of the company.

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13 The Economist Intelligence Unit. “Ukraine: Quarterly Economic Indicators.” In: EIU ViewsWire, January 18, 2006 (T15:01), Part 23 of 32 (Situation as of January 2006). The figures marked * were provided by the Bundesagentur für Aussenwirtschaft. Wirtschaftdaten Kompakt: Ukraine, November 2005 (Situation as of November 2005). My thanks go to SWP intern Tobias Meyer, for preparing the table.


16 Tymoshenko had supported resale of the company to the Privat Group, although Pinchuk, with a bid of 80 million USD against this same competitor, had initially obtained 80% of the shares and had considerably improved the working conditions of the employees. “Vechovna Rada zapretila privatizirovat’ NZF.” korrespondent.net, February 9, 2006. http://www.korrespondent.net/main/144737
The reforms that the orange movement had hoped for have not been carried out and only some have even been started. After a promising start, the year 2005 has turned into a year of missed opportunities. The country’s economic growth has declined, and this decline is not just a legacy of the Kuchma administration, but can also be attributed to the performance of the new government. Direct foreign investments have also dropped off significantly in the first half of 2005.

Government intervention in fixing the prices of major product groups such as gasoline and meat have not only unsettled the population, they have also had a negative effect on the way that other countries see Ukrainian economic policy under the Tymoshenko government. The unexpected revaluation of the national currency, the elimination of tax allowances without a reduction of tax rates, and the absence of an effective dialogue between politics and business are the main obstacles to a consistent and reform-oriented economic policy. The economic policies of the Tymoshenko and Yechanurov governments have led to a slowdown of economic growth. The confidence of domestic and foreign investors in Ukraine’s economic policy and in Ukraine as a safe place for investments has been shaken. Generally, a trend has continued in the Ukrainian economy which first became apparent in the second half of 2004.

The political contradictions between “Ukraine’s three governments” have prevented sweeping economic and social reforms. The quota principle used for forming the central government and the local governments in accordance with party or network affiliation has not contributed to improving the quality of the public administration apparatus. New people were hired for the approximately 18,000 jobs in the nation’s horizontal and vertical power structures after the orange takeover of power. Many of these people turned out to be incompetent. Many of those who had been replaced had to be rehired under the pressure of a backlog of unprocessed files. In regard to tax policy, the orange governments were more concerned with increasing budget revenues and not so much with stimulating economic growth.

The Draft Law on Stimulation of Innovative Activities and Production of High-Technology Products, the Cabinet of Ministers Regulation on Approval of the Urgent Measures Plan for Stimulation of Investments, or the programme “Ukraine’s Investment Image for 2006 – 2010” are, so far, just pieces of paper. The lowering of export prices for Ukrainian products has proved to be a problem. At the beginning of 2006, energy costs went up, and this significantly reduced the profitability of the Ukrainian energy export market. It also affected metal and chemical products, which represent 42% of all exports. The market economy status for Ukraine should therefore be understood more as a form of support for the democratic movement and a gift presented at the summit to President Yushchenko than the result of radical structural reforms in the Ukrainian economy. The basis for successful intermediate-term development of the Ukrainian economy was not provided in 2005. The main reason for this was the absence of a concept with clear commitment to promotion of SMEs, to breaking up the huge combines into smaller companies, to partial privatisation of the key technologies (energy, telecommunications), and above all to a resolute battle against corruption. The 2006 budget was adopted under the pressure of domestic and foreign policy. A strategy for the national economy comparable to the Yushchenko government’s 1,000-day Programme in 1999 has so far not been presented. Reform projects that are still open: the tax reform, the education reform and the healthcare reform.

Parliament’s January 10, 2006 dismissal of the government has had less impact on reform processes in Ukraine than on confidence in Ukraine’s political class, which has been shaken both at home and

abroad. The unfulfilled hopes and expectations of the people are probably the most dramatic result one year after the Orange Revolution. It will be difficult to mobilise once again and in the same way for the ideas of democratisation and market economy reforms. Ukraine’s political nation, born in the days of Maydan, was able to prevent the takeover of power by the Yanukovych camp, but it is clearly unable to wield control over those in power or to take influence on key issues of social and economic development. The main variables in 2006 will be the price increase for imported energy (above all natural gas), the parliamentary elections and the constitutional reform. What is needed most is a grand strategy that will lead the country out of the political crisis and prepare it for its national and international responsibilities.

**REDISTRIBUTION OF POWER: CONSTITUTIONAL REFORM AND PARLIAMENTARY ELECTIONS**

The constitutional amendments that took effect on January 1, 2006 prescribe changes in the distribution of Ukraine’s political power: parliament will have the right to dismiss the government, but then it will also face new elections. The new prime minister and the majority of the Cabinet members will be appointed by the parliament. The president will only have the right to recommend candidates. He will name a candidate for the office of prime minister, but this will be the person previously recommended by the majority faction or the coalition. The president will also recommend candidates for foreign and defence minister, and for chairman of the National Security Council. The government itself will be formed by the parliament and will be required to answer to the parliament. The government will no longer resign with the election of a new president, but with election of a new parliament. The president of Ukraine may exercise his right to dissolve the parliament if a coalition has not been formed by the parliamentary factions within 30 days of the first plenary session, or if all members of the Cabinet have not been appointed within 60 days, or if the regular plenary sessions of the parliament have not started within 30 days.

The debate about the Constitution calls to mind the difficult process leading up to Ukraine’s first post-Soviet Constitution. This came into force only in 1996, as the last Constitution to be adopted in the post-Soviet countries. In accordance with this Constitution, the president appointed and dismissed the prime minister and the government. Under Leonid Kuchma, the Constitution was constantly amended. With these amendments, Kuchma divested the parliament of a good deal of its powers and with his much-used power of veto prevented numerous reforms. In 2002, when the end of Prime Minister Yushchenko’s tenure (1999-2001) and, then, the alliance between Yushchenko and Yulia Tymoshenko indicated the emergence of a new generation of politicians with government potential and presidential ambitions, Kuchma stepped up his efforts to create a “parliamentary-presidential republic”. Because Yushchenko, as loyal supporter of Kuchma prior to the Orange Revolution, had advocated the constitutional amendments, once he was president, he could only mildly protest against the transfer of key functions to the parliament without losing face. Moreover, his approval for the redistribution of powers was part of the compromise pact with those defeated in the Orange Revolution, who had made curtailment of presidential powers a condition for their consent.

The new Constitution came into force on January 1, 2006 – 10 years after the first Constitution.18 The constitutional crisis that the country was confronted with on January 10, 2006, ten days after the constitutional amendments had taken effect, made it clear that parliament was prepared to exercise its new rights and would do so in the future as well. It can be presumed that the newly elected par-

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18 Schneider, op. cit. A German translation of the 1996 Constitution can be found here.
Parliament will appoint and support only one government, as long as sufficient allowance is made for the interests of the largest factions. Since a one-party majority can practically be ruled out, Ukraine is headed for a coalition government of mixed colour, not least owing to the constitutional amendments.

The debate about the amendments continued even after they were in force. President Yushchenko even considered revoking key parts of the reform, which led to tumults and clashes on February 9, 2006 between the president’s supporters and opponents. The following are problems that can be expected as a result of the amendments: The amendments will delay forming of the government. On the one hand, this means a temporary standstill of political and above all economic development. On the other hand, there is hope that a grand coalition may be formed, which could put a stop to the country’s economic decline. The constitutional reform further increases the possibilities of the president, the Cabinet and the Verkhovna Rada to prevent or delay the implementation of each others decisions. The president retains the right to issue decrees that must be carried out by the Cabinet. This runs counter to the concept of the political reform: namely, that only parliament may approve composition and activities of the government. In a case where the president belongs to one political camp, but the parliamentary majority or the prime minister to another, those involved could have differing views about the future development of the country and could adopt contradictory regulations.

The constitutional amendments can be disputed in Constitutional Court and could ultimately be revoked. This could result in political opposition that could quickly assume the forms of the Orange Revolution. It appears that there could be a problem with implementation of the law that stipulates in which case the government must be considered as formed and which conditions must be fulfilled to make it possible for the new Cabinet to begin performing its duties. And finally, frequent complaints lodged with the Constitutional Court by opponents of the constitutional reform could gradually destabilise the balance of power between president, Cabinet and parliament.

The Ukrainian constitutional reform incorporates an equal measure of opportunities and risks. European foreign and security policy must be prepared to cope with repeated constitutional and government crises, and political turbulences. These crises are above all crises of the political class which, in the years of transformation, has not developed sufficient communication and action strategies for dealing with conflicts.

In the new Ukrainian parliament, it is not the political parties, but individuals, special interests and money that determine the composition and working methods of the legislative. It is not so much a question of the exact distribution of seats in parliament, but to a much greater extent a question of sending a signal, of indicating which political powers will be ruling Ukraine in the future. The regional and political division of the country into East and West Ukraine has not ended after the Orange Revolution. On the contrary, polarisation of the voters has become even more pronounced. Although there can be no talk of separatism, the orientation of East Ukraine to the Party of the Regions and that of West Ukraine to the Yushchenko party remains unchanged. The question that is still open is how the disappointed and uncertain voters will behave. Despite Yushchenko’s efforts to win the sympathies of the East for his government policies, the way to the hearts of the people in Donbas, the Crimea and the southern provinces remains closed. At the same time, new differentiations are emerging in Ukraine’s political landscape: in addition to East and West, there is now Kiev and Central Ukraine (Cher-

20 The Rasumkov Centre in Kiev interviewed 2,290 adults in the period from January 12 -17, 2006. The margin of error is 2.1%. http://www.angus-reid.com/polls/index.cfm/fuseaction/viewItem/itemID/10641>
nihiv, Sumi, to some extent Charkiv and Odessa), a part of the country where party ratings overlap and a blending of political convictions can be observed.

These regional differentiations are having an impact on the composition of political parties and alliances, since the top slots on the ballots are often given to local politicians, entrepreneurs or media representatives. For the first time in the post-Soviet period, elections to the Verhovna Rada are being carried out only through party lists and election platforms. The new election law still anticipates an “imperative mandate” for deputies. Accordingly, changing factions is not allowed either during the election campaign or and above all after the elections. Although the Council of Europe has voiced reservations about compulsory voting in accordance with party policy, it seems to be an effective measure against the practice of buying mandates. In the past, the large numbers of deputies in the Ukrainian parliament who changed political allegiances and abandoned their factions caused volatile majorities and legislative discontinuity.21

Approximately half of the deputies of the old Rada will reclaim their seats in the new parliament. The technocrats and former members of government will also continue to play a role in Ukrainian politics: Prime Minister Yechanurov, Secretary of the Security Council Anatoly Kinach, Deputy Prime Minister Stanislav Stashhevsky, Deputy Prime Minister Vjacheslav Kirilenko, Foreign Minister Boris Tarasjuk, Minister of Justice Serhij Holovaty, Minister of the Coal Industry Viktor Topolov, Minister of Education and Science Stanislav Nikolaenko and Minister of Agriculture Olexander Baranivsky. Then there are the members of the provincial bureaucracy, who want to insure themselves with a seat in parliament. Regional bosses Eduard Sejnaliv from Kirovograd, Stepan Bulba from Poltava, and Vasyl Pushko from Odessa will make it into parliament. Former governors Jevgen Kushnarev of Charkov, Olexander Jefremov of Lugansk and Anatoly Blisnjuk of Donets, who lost their jobs after the Orange Revolution, are all running with good chances of election and great political ambitions. Likewise, Parliamentary Speaker of the Autonomous Crimean Republic Boris Dejch.

The intermingling of powers in Ukrainian politics becomes especially clear through the presence of the judiciary in the new parliament. It is very likely that Chairman of the High Court of Arbitration Dmitri Prityka and Chairman of the Supreme Court Vasily Maljarenko will be elected to parliament. And Vjatoslav Piskun, who was released from the office of Ukraine’s Supreme Judge, will also be campaigning for a seat in the Rada, although with small chances of election.

The “fourth power” will also be represented. The head of the State Committee for Television and Radio, Ivan Chish; the main producer of the 1+1 station, Olga Gerasimjuk; one of the directors of the Ukrainian National Television station NTU, Eduard Prutnyk, will probably be elected, as will the press spokesman of the Donetsk Regional Council, Alena Bondarenko. Other candidates are the editor-in-chief of Svaboda, Oleg Ljashko; the owner of the Era radio station and the Kiewskij Telegraf newspaper, Andrej Derkach; the editor-in-chief of Selskie westi, Ivan Spodarenko. Although the Orange Revolution brought a new transparency to the media, the webwork of media, business and politics has in the meantime been broadened by the presence of numerous foreign stockholders.

The networks that will now be playing the leading role in Ukrainian politics will become apparent in the new parliament. For the time being, the “Kuchmists”22 will remain part of the political class in Ukraine. President Kuchma’s long-standing aide Sergej Levochkin will win a mandate, as will Yanukovy-

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21 For information on amendments to the Election Law, see the website of the Ukrainian Central Election Committee: http://www.cvk.gov.ua/laws/vib_ndu_2006.htm>

22 Durkot, op. cit.
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Numerous oligarchs and businessmen will use the parliament to promote their personal business interests and will also finance the political ambitions of the parties and groups that they represent. In particular, the Party of the Regions will be represented in the new parliament by businessmen, directors and administrators from the heavy industry and related business and financial sectors. Two trends can be observed: direct and indirect representation of business structures in parliament. After the Orange Revolution, a number of business representatives experienced what it can mean to not belong to the “right” party. These captains of the industry, who were deputies in the previous parliament, will now be sending their representatives to the Rada: for example, the brothers Olexy and Olexander Jaroslavsky (UkrSibbank) or Viktor Pinchuk (Interpipe). Their interests in parliament are promoted by the deputies of the Regions Party. Constantine Zhevago’s (Finansy i Kredit) interests are looked after by the Yulia Tymoshenko Block.

The oligarchs who were not represented in parliament are now seeking to wield influence through the election alliances, which they support financially. Igor Kolomoisky (Privat Group, Nikopol Ironworks) sympathises with BJUT, while Sergej Taruta (chairman of the Donbas Industrial Association and owner of Huta Czestochova in Poland) is hoping for political dividends from his support for the Party of the Regions. Another sympathiser with the Regions Party is oligarch and former deputy Olexander Volkov. Russian business also has indirect influence on the Ukrainian parliament. Valery Horoshkovsky (EwrasHolding) and Constantine Grigorishin (Energetisheskij standart Group) secure their economic interests through Our Ukraine and the left-wing parties. Although there will no longer be 300 millionaires in the new Rada, as was previously the case, their interests will be better represented. Rinat Achmetov, one of the big oligarchs, is number 7 on the ballot list of the Regions Party and is certain to be elected.

The Ukrainian parliamentary elections will alter the political landscape that developed after the Orange Revolution. German and EU foreign policy must reckon with a lasting political dispute over the distribution of power in Kiev.

The_discord_between_the_protagonists_of_peaceful_change_was_quickly_reflected_in_the_party_ratings. In September 2005, six months before the elections, Yushchenko’s Nasha Ukraina alliance and Yanukovych’s Party of the Regions (PRU) were running almost side by side, followed by Tymoshenko’s Block (BJUT). However, a trend had already become apparent. At this point, seven of the parties would

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24 The parties with the greatest chances of election are listed below.
have cleared the 3% hurdle prescribed by the Constitution. In addition to the three aforementioned parties, two others that will definitely make it into parliament are the Communist Party of Ukraine (KPU) under Petro Simonenko and Olexander Moros’ Socialistic Party (SPU). Less certain is the ranking of Volodimir Lytvyn’s People’s Party (VPU), Natalia Vitrenko’s Progressive Socialists (PSPU) and the Ne Tak (Not Yes) alliance formed by the United Social Democratic Party of Ukraine and Yushchenko’s toughest opponents.

**THE GAS CONFLICT AS UKRAINIAN-RUSSIAN INTEREST POLICY**

Russia cannot be imagined without Ukraine. This was the credo with which Russian dissident and author Alexander Solzhenitsyn returned to the new Russia after the collapse of the Soviet Union.\(^26\) To this day, the national-conservative thinkers of post-Soviet Russia have not been able to get over the loss of Kiev, the “mother of Russian cities”, the Donbas centres of heavy industry and above all the Crimea. Ukraine’s growing affiliation with the West and the EU, and particularly its readiness to join NATO in 2008, set off alarm bells in the Kremlin. Propaganda against the “chaotic developments” in the neighbouring country quickly led to a cooling of relations between Russians and Ukrainians. The number of Russians who expressed themselves positively about Ukraine declined from 60% in December 2004 to 54% in December 2005. For one quarter of the Ukrainians, the image of Russia took a negative turn.\(^27\) After all, Russia had lost its former political partners - ex-president Kuchma and his allies - on account of the Orange Revolution. In April 2005, immediately after the victory of the Orange Revolution, President Putin demanded an increase in gas prices for Ukraine. The defeated powers around ex-premier Yanukovych and the close associates of Kuchma, Yuri Boyko and Igor Voronin (Naftohaz Ukrajini board members and Gasprom allies), put additional economic and political pressure on the orange leaders. As a result, Boyko was dismissed from his job.

Aside from the economic consequences, the Russian-Ukrainian gas conflict was an information and communication disaster for the political class and the implicated business circles. In this case, the involvement of Naftohaz Ukrajiny and RosUkrEnergo also meant the involvement of structures that pursued state and/or private interests. Foreign policy in regard to Ukraine must therefore reckon with a polyphony of players – and in the grand coalition that is very likely, this will increasingly be the case. The Foreign Ministry is basically in charge of all questions involving foreign relations with EU, NATO and the transatlantic partners. Relations with Russia, on the other hand, are maintained primarily by the Presidential Office and the National Security Council.\(^28\)

The conflict over gas deliveries from Russia and Central Asia highlighted not only the multitude of players involved in shaping Ukrainian foreign policy – the Foreign Ministry, the National Security Council and the Presidential Office, with their lack of coordination and overlapping of functions – but also the extent to which Ukraine is dependent on foreign policy factors. Furthermore, domestic opposition, above all from the Party of the Regions, to membership in WTO could not be overcome in time to allow Ukraine to join this organisation in 2005. While Ukraine successfully continued its dialogue with EU, NATO and the United States, relations with Russia became the stumbling block for Yechanurov’s government. A lot more is involved than just gas. There are both political and economic reasons for the conflict.\(^29\) The political reasons are: Ukraine’s desire to join NATO; Ukraine’s endeavours to


\(^{27}\) “Issledovanie: počemu Rossijane ne ljubjat drug druga.” In: NEWSru.com. Integrum.com

\(^{28}\) Talks at the Foreign Ministry of Ukraine, September 2005.

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become a member of WTO; Ukraine’s refusal to participate in the Common Economic Area. The economic reasons are: the low price of Russian natural gas (50 USD/1,000 m$^3$); the barter system, according to which Russian gas deliveries were offset against transport costs; the personal interests of business partners (above all, those of the covertly operating stockholders of RosUkrEnergo) in making a profit.

In this respect, the “gas war” was not waged between “Russia” and “Ukraine”. The real issues were: a) the price hike for gas delivered from Russia and Central Asia to Ukraine by Gazprom, planned long ago by Gazprom and the Kremlin. Putin had already in April 2005 demanded a price increase for gas supplied to Ukraine – in view of Gazprom’s business interests, an understandable measure, inasmuch as the losses incurred by Gazprom on the Russian domestic market had to be compensated elsewhere. And for the Ukrainians, the price hike was not entirely unexpected, since membership in WTO prescribes market prices for gas. Objectionable from the Ukrainian point of view were time point and dynamics of the price hike; b) continuation of the election campaign with other means. Parts of the Kremlin administration wanted to restore pre-revolutionary order in collaboration with the Kuchma-Yanukovych network. The main goal was to prevent Ukraine’s membership in NATO.

RosUkrEnergo was founded on July 29, 2004 with a share capital of 100,000 francs. It is registered in Zug, Switzerland. It is headed by an eight-member coordination committee with two representatives from each participating company. 50% each of the company’s shares are held by Gazprombank (through Arosgas Holding) and Raiffeisen Investment AG (through Centragas Holding). Centragas and Arosgas are owned by numerous off-shore shareholders from Russia, Ukraine and third countries. In accordance with the January 4, 2006 agreement between Russia and Ukraine, RosUkrEnergo has exclusive rights to sell gas to Ukraine: it buys gas in Central Asia at bargain prices, sells to the Ukrainian gas company and makes a profit. The company’s assets as of September 30, 2005 were 47.7 billion roubles; profits for 2005 amounted to 14.3 billion roubles.30

International attention put the company under pressure to reveal its shareholders. The US government, for example, urged the Austrian government to undertake legislative amendments that would make it possible to disclose the names of the RosUkrEnergo shareholders. Although Raiffeisen can, for the moment, avoid yielding to such demands, pressure on the company will increase. The document also raises legal doubts. The fact that it was impossible to set down a billion-dollar deal with the involvement of five + two states (Ukraine, Russia, Kazakhstan, Uzbekistan, Turkmenistan + Switzerland and Austria) on a single sheet of paper31 became absolutely clear at the beginning of February 2006, when information surfaced about the secret attachments. These regulate earlier agreements about storage, transportation and sale of natural gas from Central Asia up to the year 2030. What is scandalous is not only the fact that the Ukrainian gas deal generates yearly profits in the vicinity of 500 million USD for RosUkrEnergo, but also the fact that the Cabinet of Ministers apparently had no knowledge of what was going on.32

31 For the wording of the document see: “Stalo izvestno oficial’noe soderžanie ‘gazovogo soglašenija.” Delovaja nedelja (Kiev), January 5, 2006. Integrum.com
32 Seven documents were signed in Moscow on January 4, 2006. The public was only informed about one. See: Mostovaja, Yulia and Alla Eremenko. “Soveršite vy massu otkrytij (inogda ne želaja togo).” Zerkalo nedeli No. 4, February 4-10, 2006. http://www.zerkalo-nedeli.com/ie/show/583/52513/.
This compromise, which has also affected Ukraine’s relationship with the West and raised doubts about the reliability of Russia and Ukraine as gas supplier and transit country, has significantly narrowed Ukraine’s foreign policy elbowroom. At present, all gas imports are controlled by a company on which the Ukrainian government has no direct influence. This means that the political pressure that Russia can put on Ukraine through Gasprom and Gasprombank can be increased at any given moment. Regardless of the collateral political damage, Gasprom and above all Putin himself are the economic beneficiaries of the deal.\textsuperscript{33}

Ukraine is \textit{de facto} not a party to the agreement. Ukraine was forced to agree to the terms of the agreement to prevent even worse conditions. Ukraine’s competing political interests have themselves damaged the image of Ukraine as a place to do business. The confidence of international investors, already weakened in 2005, is declining further in face of the current turbulences. The rising prices for Russian and (through the involvement of RosUkrEnergo) Turkmenian gas is weakening the Yushchenko government and the Ukrainian national economy. And the interests of the unknown Ukrainian and Russian investors concealed behind Centragas also play a role. The behind-the-scenes activities of these players raise doubts about Ukraine as a transparent and safe location for doing business just beyond the borders of the EU.

Ukraine’s dependence on Russia is \textit{de facto} increasing. The agreed price that RosUkrEnergo must pay was described by Gasprom chief executive Alexei Miller as the “starting price” fixed in the five-year agreement. And the price negotiated by RosUkrEnergo and Naftohaz Ukrajiny is valid for only the first half of 2006. It will then be renegotiated. This means that the present compromise can be challenged at any time. It is an open question how high the price of gas will be for Ukraine at the end of 2006 – at any rate, higher than 95 USD.

It was already determined in the January 4, 2006 agreement that one more intermediary company would be established, whose exclusive function would be the delivery of gas to Ukraine. On February 2, 2006, such a company was founded as a joint venture and joint stock company. The function of this company is to buy natural gas from central Asia (Turkmenistan, Uzbekistan, Kazakhstan) “or” from Russia at the Russian-Ukrainian or Belarus-Ukrainian border. Use of the word “or” indicates that deliveries of the expensive Russian gas were not anticipated at any point in the negotiations. This means that RosUkrEnergo will be getting Central Asian gas through Gasprom pipelines and selling it once it crosses the Ukrainian border for 95 dollars to Ukrgaz-Energo\textsuperscript{34} and on domestic market.

Although reaction in the West was primarily criticism of the Russian position and particularly that of Putin, Ukraine waited in vain for a clear signal from the EU that would strengthen its weak hand in the negotiations. The signal never came. The US administration, however, voiced its lack of understanding for Putin’s actions at the start of Russia’s G-8 presidency. Once again, Ukraine feels that it is getting more support from Washington than from Brussels.

The gas supply shortages led to production cutbacks in the heavy industry. Companies in the non-orange parts of Ukraine did not put the blame for this on Russia, but on the government in Kiev. The vice-president of the Industrial Group, Olexander Chaly, called the agreement a “Pearl Harbour for

\begin{itemize}
\item \textsuperscript{34} “Gazovoe SP: čto podpisali ukrainskie peregorovščiki.” korrespondent.net, February 2, 2006. http://www.korespondent.net/main/print/144134>. Ukrgaz-Energo, founded on February 2, 2006 in Moscow by Naftohaz Ukrajiny and RosUkrEnergo, is a joint venture based in Kiev. Its function is the supply of natural gas and other forms of energy to the Ukrainian consumer market in the period from 2006 – 2010. The negotiated volumes are: 32 billion m\textsuperscript{3} in 2006; up to 58 billion m\textsuperscript{3} in 2007; up to 60 billion m\textsuperscript{3} in 2208-2010.
\end{itemize}
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Ukraine”. The chairman of the Party of Patriotic Powers of Ukraine, Olexander Sinchenko, called it “a tragic event in the history of Ukraine’s energy independence”. Serhij Taruta, chairman of the Board of Directors of the Donbas Industrial Association, called attention to the growing production costs and declining competitiveness of Ukrainian steel products in an already saturated global market. The Kryvorizhstal steel works switched from gas to coke as its energy source; some companies in the Dnipropetrovsk area declared “a state of energy emergency”. Eventually, the gas conflict turned into an election campaign issue: at the regional conference of the Regions Party, Yanukovych assailed the government for its weakness and implied that Russia had taken advantage of this weakness. The loser of the presidential elections did not hesitate to criticise Russia, knowing full well that no personal support could be expected from the Kremlin. This did not serve to level, but rather to deepen political trenches in the run-up to the parliamentary elections.

The political opposition has drawn considerable advantage from the gas conflict in parliament and without. The accusations were not just damaging to Energy Minister Ivan Plachkov, Naftohaz Ukrajiny boss Olexy Ivchenko, Minister President Yuri Yechanurov and Foreign Minister Boris Tarasjuk, their intention was to raise doubts about the competence of the second orange government. The dismissal of the government after the parliamentary hearing on January 10, 2006 made the battle-lines clear. The Ukrainian parliament, armed with new powers, took advantage of the first opportunity to dismiss the government with a majority vote of the opposition. Olexy Ivchenko, chairman of the Congress of Ukrainian Nationalists, had been appointed by Yushchenko as chairman of Naftohaz Ukrajiny in 2005. On the occasion of President Yushchenko’s visit to Germany, Ivchenko negotiated a 2 million EUR credit for Naftohaz Ukrajiny from Deutsche Bank for modernisation of the energy system.

The gas conflict made the possibility that a coordinated election campaign could be carried out by ex-premier Yulia Tymoshenko and President Yushchenko’s Nasha Ukraina even more unlikely, especially after Tymoshenko filed a complaint against officials of the state-owned Naftohaz Ukrajiny. Former Ukrainian security chief and Tymoshenko-crony Olexander Turtchinov had already spoken of suspicions harboured by his agency and accused Naftohaz Ukrajiny of illicit gains at a press conference in December 2005, and now Tymoshenko accused the negotiators of the Moscow compromise of damaging Ukraine’s national interests. With this move, Tymoshenko brought herself closer to the positions of the Regions Party – her ultimate goal being reappointment as prime minister in the spring of 2006. In the meantime, Tymoshenko’s relations with Russia had also noticeably improved. In 2005, as prime minister, she was not only able to repay a debt of 386 million USD to the Russian Defence Ministry, she was also exempted from pending legal action during a visit to Moscow arranged by Viktor Medvedchuk in September 2005.

The gas conflict and its temporary resolution, which can to a large part be attributed to the efforts of Gasprom founder and current Russian ambassador to Kiev, Viktor Chernomyrdin, became the dominating issue of the election campaign. This conflict comprises all components of Ukrainian domestic and foreign policy: the conflicts of interest of the Ukrainian elite, relations with Moscow and the EU, the country’s economic stability, the specific interests of the regions and their reigning oligarchs, etc.

As to the political consequences for Russia: President Putin has a lot in mind for 2006. As chairman of G-8, with a booming domestic economy, and the elimination of all political opponents and their

real and potential communication opportunities (media, NGOs) in his own country, he will now turn to reorganisation of the post-Soviet area. After the slow decline of CIS, Russia is increasing bilateral integration pressure on its closest neighbours. Ukraine was the first to feel the effects; it will be followed by Moldavia, possibly Georgia and other countries dependent on energy imports.

Russian-Ukrainian relations have now entered a new phase. Both sides know that the diplomacy of internal agreements that was normal with Kuchma is no longer possible. Mutual distrust is causing further estrangement between Moscow and Kiev. The gas conflict and its solution will not – as claimed by Putin – lead to an overall improvement of relations. Russia is still unable to accept the expansion of NATO in 2008 to include Ukraine. The agreement negotiated in January 2/3, 2006 – before the backdrop of the next looming conflict over Russia’s Black Sea naval bases – has contributed to a significant deterioration of relations. Washington’s reaction shows that from now on Russian-American relations will always have to be seen as a reflex to Russian-Ukrainian relations. Unlike the EU, the US administration would accept a cooling of relations with Moscow in favour of relations with Ukraine.

The disputes between the Russian Gasprom and the Ukrainian Naftohaz Ukrajiny companies are a reflection of the chilly relations between the EU’s two neighbour states. Following the decisions on “Common Areas” and “Roadmaps”, EU-Russian relations clearly have at their disposal the appropriate instruments for mediation of such conflicts. The crisis talks at the beginning of January in Brussels, with participation of the conflicting parties, sought possibilities for solutions. A real communication base for resolving economic or external security problems did not, however, emerge. The mediator role that the EU was reluctant to assume was probably limited to background talks between EU Council Chair Austria and RosUkrEnergo stakeholder Raiffeisen Investment AG. Lines of communication are short in Vienna. Austria could have no interest in permanent pressure being put on its beginning presidency, nor Raiffeisen in the continuation of a debate that showed RosUkrEnergo in a negative light.

The international image of Russia’s G-8 presidency has been tarnished by the gas conflict. Putin himself had early on named energy security – together with healthcare and education – as one of the central issues of the Russian presidency. After the Yukos affair, after the NGO law and the drawn-out Chechnya campaign, in the eyes of the leading market economies and democracies the gas conflict gives reason to re-think Russia’s G-8 capacity. Moscow will again have to face the question of whether or not its interest policy in the post-Soviet area is in keeping with its desire to be seen as a responsible member of G-8.

Russia’s chances of joining WTO have not exactly been improved by its behaviour in the gas conflict. Doubts about Russia’s commitment to the principles of free trade and market economy will have been instilled in the minds of those who have a say in WTO. At the same time, quick acceptance of Russia’s membership in the organisation could also be an instrument for controlling such conflicts with WTO standards and communication means. If Ukraine and Russia want to join WTO and ensure long-term membership, they must accept these normative requirements. The gas conflict has turned into a national crisis. It has also highlighted the contradictions between the political players, which have increased since September 2005.

Ukrainian-Russian relations could turn into Eastern Europe’s greatest geopolitical contrast in the coming century. The Russian empire was linked to the South West not only through Slavic brotherhood, but, since the end of the 19th century, by concrete economic interests, which were further consolidated in the Soviet Union. Russia would probably be able to cope with the loss of a Slavic brother, but not with the loss of its strategic economic and particularly its security interests. Yushchenko was recently quoted in the Wall Street Journal as saying that the compromise reached with Moscow had marked
the beginning of the end of barter transactions in the oil business. This was why the agreement had been so vehemently criticised by the oligarchs.\textsuperscript{36}

Foreign and security policy has not played a conspicuous role in these parliamentary elections. Only the gas conflict, reaching as it does beyond national borders, was able to rouse foreign policy interest, although the problems connected with supply shortages and cost increases were of greater interest. The political reason for the dramatic deterioration of Russian-Ukrainian relations under presidents Putin and Yushchenko is Ukraine’s declared wish to join NATO. The American administration added fuel to the fire when President Bush named 2008 as the year that Ukraine would join NATO. Bush had announced that he would like to see Ukraine as a NATO member by the end of his tenure. Statements made by NATO General Secretary Jaap de Hoop Scheffer were a bit more cautious, seeing the key to Ukraine’s membership primarily in Kiev’s hands.\textsuperscript{37} The question of Ukraine’s membership in NATO will become an endurance test for relations between the West and Russia, and above all between Ukraine and Russia.

\textbf{CONCLUSIONS}

In view of these problems, the parliamentary elections in Ukraine call for major decisions on the future course of German and European foreign and security policy. Key proposals for action: The West must, now in particular - despite a certain degree of Ukraine-fatigue in the European institutions – remain committed to Ukraine and its stabilisation. The inter-European and bilateral communication effort must not be allowed to subside. The Action Plan must continue to set the agenda for Ukraine’s adaptation to EU standards. Currently declining investments should be stimulated through improved political and economic framework conditions. The Ukrainian political elite is under the obligation to step up reforms; however, a new consultation offensive is required, primarily from the EU states. Cooperation with the new parliament should be sought and improved, as well as cooperation with representatives of business-oriented interest groups which were hitherto seen as opponents of the orange movement. Relations with the EU must be developed, relations with NATO consolidated. NATO membership, however, must be approached and prepared with great political sensitivity. From Russia’s point of view, this is a major scission after collapse of the Soviet Union.

Ukraine still finds itself in the process of transformation. After the experience of the Orange Revolution, the March 26 parliamentary elections will very likely be free and fair. In accordance with the latest constitutional amendments, the parliament that emerges from these elections will assume responsibility for forming the government. The future prime minister will be on a par with the president. A government team that finds the approval of the post-orange parliament will give the head of government an even stronger political power base. It can be assumed that Ukraine will not digress from its course of European integration, but the speed of its progress will at first, however, slow down to accommodate its obligations to Russia. The crucial factor will be the subtlety with which membership in NATO is pursued.

For German and European foreign and security policy, which will find itself confronted with Ukraine’s new political players immediately after the parliamentary elections and formation of the new government, the following recommendations present themselves:


Germany and the EU should – despite a certain degree of Ukraine-fatigue in the European institutions – remain committed to Ukraine and its stabilisation. The forms of cooperation at the bilateral level and in an EU, NATO and WTO context must be intensified and at the same time adjusted to political constellations in Ukraine. Adherence to standards must be insisted on. Symbolic gestures such as the granting of market economy status must be the exception. EU’s Action Plan must continue to set the agenda for Ukraine’s adaptation to EU standards.

Currently declining investments should be stimulated through the improvement of political and economic framework conditions. Flagging reform efforts require a new consultation initiative from the EU states. The reprivatisation of Kryvorizhstal must remain an isolated case. Ukraine needs direct investments, primarily in the sensitive energy, telecommunications and engineering industries. The gas pipelines are obsolete. Western technologies would be needed here. The gas conflict with Gasprom has demonstrated the vulnerability of the European energy market. German energy policy toward Ukraine should re-examine the possibilities of an energy consortium. Internationalisation and institutionalisation of the European gas market could offset conflicts and bring investments to the market.

There is no way of getting around cooperation with the new parliament. Interparliamentary work should also include the presentation of reform ideas and implementation strategies to Verchovna Rada. The experience that the grand coalition in Germany is currently acquiring with public administration, social, healthcare or education reforms should be communicated. It is important to involve the Ukrainian political class in constructive, informative reform discussions, to share experience and advise of possible difficulties. This is where the European Parliament could play a major role.

Serious political rows can be expected over implementation of the constitutional reform. Above all, the question of the distribution of powers between parliament, president and premier remains unclear. President Yushchenko would like to carry out a referendum to give the reform that came into force at the beginning of 2006 additional legitimacy. The continuing constitutional dispute calls for a mediation offer from the European Union. Germany could participate with the expertise of its Constitutional Court and its experts on constitutional law.

There will be growing scepticism in the new Ukrainian parliament about a quick entry into Europe. The Euro-sceptics will dominate in what can be expected to be the largest faction. This could eventually lead to a deceleration of efforts to pursue EU and NATO membership. Relations with Europe must be developed, relations with NATO consolidated. NATO membership, however, must be prepared with great political sensitivity. Projects such as International NATO Week 2006, joint military manoeuvres, the provision of Ukrainian military aircraft, or the SWP general seminars are steps in the right direction. At the same time, an eye must be kept on relations with Russia, inasmuch as a cooling of these relations cannot be in the interests of the European partners.
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INSTEAD OF CONCLUSION

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The study carried out by Dzintra Bungs, Ruslans Osipovs, Toms Rostoks and Andris Sprūds, researchers from the Latvian Institute of International Affairs (LIIA), reflects a very interesting political subject – the influence of the Orange Revolution upon the proximate environment. Perhaps the term “near neighbours” used by Russia can exactly in the same way (linguistically, not politically) be used with regard to countries that border on Ukraine. The analysis carried out by LIIA is significant both on the research and also on the foreign policy level for several reasons. First of all, the authors must have great intellectual courage and initiative to undertake only a year later an assessment of the impact on the international environment (i.e., neighbours) of an important political event that changed the course and rate of the country’s democratization. Second, the analysis of the above-mentioned authors pertains to countries which themselves are at different stages of seeking democratization and have different interpretations of it. The focus is on Belarus, Moldova and Russia. Third, the fact that the authors analyze the spread of the Orange Revolution from the point of view of Latvia’s interests gives this study a fresh academic context and offers concrete suggestions for action that could strengthen Latvia’s foreign policy in the given region.

The Orange Revolution is not merely a descriptive term for a particular event but a political phenomenon which has given meaning to many national, regional and international processes. In fact, the demonstrations for democracy in Ukraine in November of 2004 have turned out to be a new challenge to test to what extent can another opportunity for the country and society to join the group of democratic countries and to get out of the stagnating CIS space become a motivating factor for its internal consolidation and for a pragmatic long-term support policy provided by democratic countries and institutions.

Therefore, it is important to establish the factors which transform the Orange Revolution from a poetic term into a political process with its own internal contradictions, and at the same time, one that has a great impact upon regional and international events. First of all, it is necessary to assess the impact of revolutionary processes upon the domestic and foreign policy of Ukraine itself. A year after events in the Maidan Square, all of the most typical elements characteristic of the initial stage of democratization can be observed in Ukraine, beginning with consolidation of the opposition and takeover of power (with significant support from society), adjustments in the political system, restructuring of the national economy, mobilization of civil society and reinforcement of external influences both in a constructive (U.S., EU, Poland and Lithuania) and destructive (Russia) way. One year is a period of time during which one can detect trends for further progress, not regularities. During this period, however, several alarming signs have appeared which can slow down the pace of democratization. First, society’s support for Viktor Yushchenko’s policies is decreasing because the promised results cannot be felt. Second, Yushchenko’s opposition is consolidating and using the mistakes made by the government to justify questioning the democratization process. Third, although the state President has confirmed the country’s movement towards the family of democratic states (with all the attendant consequences), the state administrative apparatus and the Cabinet of
Ministers are still heirs of the old system, and this fact impedes a consistent democratization process. Fourth, Ukraine’s domestic policy is still influenced by unilateral economic dependence upon Russia. The “gas price war” which began at the end of 2005 and continued until the beginning of 2006 vividly demonstrated not only the assertion of Russia’s interests in Ukraine by means of energy resources but also the imprudent actions of the Ukrainian political elite and the dominance of corporate interests over national interests, as well as dominance of short-term interests over long-term interests. With the help of the Orange Revolution, Ukraine sent important signals to its nearest international environment; however, it is too soon to speak about a stable and permanent impact of the country’s transformation upon the expansion of democracy, because that requires significant domestic and international investments in providing continuity of the country’s democratization process. However, the most important factor is Ukraine’s clear understanding of the kind of country it wishes to become in the future.

The influence of the Orange Revolution upon its neighbouring countries has been uneven and with various levels of intensity. The greatest response was observed in Moldova, and this is connected with the decision of this country to integrate into European structures and its determination to modernize and democratize the economic and political system. It is no wonder that Andris Sprūds in his article emphasizes the concept of Europeization in discussing Europe’s involvement in Moldova. The latter, in turn, has become a success story for the European Union in the context of Common Foreign and Security Policy. Participation of the EU in border assistance missions and customs harmonization is one of many examples of EU member states’ ability to agree upon joint action in Europe. However, it has to be noted that there are several trends which can stop or retard the democratization process if we ignore them. First of all, Moldova is a country about whose existence Europe had forgotten for ten years because it assumed that Moldova would be supported by Romania; however, since Romania in later years was too busy with its own Europeization process, Moldova became a cumbersome burden. Uncertainty about domestic policy processes, the unresolved Transdniester conflict and Moldova’s insignificant geopolitical role made Moldova a hostage of Russia and itself. With the adoption of the European Neighbourhood Policy (ENP) and drafting of the Action Plan, Moldova has been given one more chance. However, the Action Plan and involvement of EU member states is connected mainly with solving the Transdniester conflict. On the one hand, such a policy is helpful because this conflict affects many processes in the country. On the other hand, focusing too much on one problem situation may hamper important transformation of the country and society in other spheres. Therefore, a complex and long-term policy should be applied to Moldova to a greater extent than to other ENP countries. Second, there are currently two organisations that are active in Moldova – the EU and OSCE. This raises a topical issue about coordinated action of both of these organisations that could prevent possible duplication of functions and even mutual interference in their work, which, in turn, could harm Moldova. Third, as Sprūds justifiably observes, Moldova could become a conflict zone between the West and Russia. Such a collision is not only a theoretical possibility but a rather realistic forecast that is a consequence of Russia’s model for foreign policy behaviour. The number of countries which Russia can manipulate in international relations in order to achieve its own interests is decreasing. Moldova is one of the last bastions which exists as a result of the Transdniester conflict and Moldova’s dependence upon energy resources. It is hard to imagine that in present-day conditions Russia could afford to use radical methods for influencing a country; therefore, it uses more complex and covert methods, such as increasing the gas price, allegedly in keeping with the principles of market economy. However, according to the experience of Armenia, Moldova and other CIS countries, the inability of a company to pay for resources results in selling the respective company to Russia as a means of settling the debt. Fourth, Moldova is a country where the breeze of the Orange Revolution has blown in the most direct way, since both of these countries have in a similar way declared observance of democracy’s basic values and expansion of part-

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1 In the press, there are various interpretations about the agreement concluded between Russia and Ukraine; politicians send conflicting signals. Ukraine’s drive towards diversification of the supply of energy resources can be questioned by the monopoly of Gazprom, RosUkrEnergo and Ukr gazEnergo with regard to transit and supply issues, as well as by their monopoly in the domestic market.

2 Since success of the CFSP is mainly connected with its activities in African countries but failures with the hot spots in Europe, Moldova is a country where positive results of this policy are being set in motion.
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nership with Western countries. At the same time, relations between Moldova and Ukraine are also expressed in a regional context, and Ukraine is directly involved in the border monitoring mission and deepening further regional co-operation.

With regard to the impact of the Orange Revolution upon its neighbouring countries, Russia is a particularly interesting object of research. However, Russia’s place and role in this particular case is determined not so much by events in Ukraine as by Russia’s attitude towards Ukraine, as well as by Russia’s level of involvement in international processes. Dzintra Bungs in her article notes that the Russian Federation is at the crossroads of change. But there is another more important question: how long will Russia remain in a state of permanent transformation, and is it possible to at least outline its logic and the course of development? What will be the result of this endless transformation? At a time when one country after another is breaking away from Russia’s sphere of influence, there are at least three possible development scenarios: (1) Russia chooses to become a global power and attains this position with the help of its energy policy; (2) being unable to implement the above-mentioned plan, Russia chooses to be a regional power centre and more intensively develops relations with European and Asian countries; (3) since Russia cannot successfully carry out its internal transformation, the economy stagnates, investments in energy output and transit are insufficient to maintain competitiveness on the global and regional level, and thus Russia becomes a country of local importance with limited opportunities to act internationally. All these three possible scenarios are based mainly on energy resources, and this in itself is proof that, having lost many other instruments of power, Russia is making political investments basically in this sector. What does that mean for the region affected by the Orange Revolution and for EU in general? It means that each country or organisation which puts “energy dialogue” at the centre of its relations with Russia risks being subjected to economic and political dependence upon Russia. Since the third scenario is not advantageous either for neighbouring countries or the EU, Russia will use various instruments for international involvement, the simplest being an “energy dialogue”. Arguments are voiced in the West and Russia that the trade in energy resources is taking place in accordance with the free market principles and that it is mutually beneficial (and therefore Russia’s actions are not unilateral), but these views are unjustified as proved by the decrease in gas supply to Europe at the beginning of 2006, when the blame was put on Ukraine. On 10 October 2005, Fyodor Lukyanov, an authoritative Russian expert and editor-in-chief of the journal Russia in Global Affairs, delivered a lecture at Oxford University in which he analyzed the psychological features of the country’s foreign policy. During this lecture he mentioned that trade in Russia has never been considered as a mutually beneficial activity carried out by equal partners. The deficit of goods and services which existed for more than 70 years has created a fundamentally different attitude – the one who owns the product dictates the rules of the game, but the buyer is a beggar whom one can manipulate and even punish when convenient. Precisely such a behavioural model is used by Russia, particularly in countries where Russia wants to demonstrate its power to influence. If Europe ignores these specific features, it could be subjected to various manipulations in future.

Russia’s attitude towards countries affected by the Orange Revolution will be influenced by the broader context of relations between Russia and the EU. In recent years, the intensity and scale of these relations have significantly increased. Dzintra Bungs’ article supports this observation by presenting an analysis of signed documents and statements of politicians. However, one should note the danger that can be caused by thoughtless reliance upon the formal side of relations. In order for the adopted documents to serve the purpose of expanding mutual co-operation, at least one precondition is required: both parties should be equally determined to follow the set goals. Present EU-Russia relations warrant the conclusion that of all issues included in agreements, Russia in mainly interested in two matters – energy and the introduction of a non-visa regime. Other issues that are summarized within the format of four common spaces are deemed secondary. The year 2006 can be important for reviewing the formal relations of both parties because the 1997 Partnership and Co-operation Agreement between the EU and Russia expires in 2007. It means that the EU will actually have to seriously analyze the present quality of relations and their development in future.
In this regard, I would like to mention two aspects. First of all, although it is hard to forecast the quantity and quality of discussions within EU about preparing a new agreement (Bungs in her article outlines three scenarios for revising the agreement – termination of the present agreement and preparation of a new agreement; prolongation of the present agreement; adding to the present agreement), Latvia, together with other new member states, can play a significant role by providing expertise concerning domestic policy processes in Russia and their influence upon neighbouring countries and the EU in general. The EU needs such in-depth expertise because a too literal perception of statements of Russian politicians may be misleading and even risky with regard to efficient drafting of a far-sighted policy. As an example, I would like to mention two comments by Mikhail Gorbachev, a former leader of the USSR who is respected in the West; they were made within the space of less than a month. On 16 February, Gorbachev criticized events in Russia and warned about the danger of neo-Stalinism that could result in total control; however, in a press conference held on 2 March he praised Putin for successful state administration and for bringing the country out of chaos, noting that the biggest mistake under his rule was that he did not send Boris Yeltsin to some banana republic to gather citrus fruit. Second, expiry of the term of agreement and the quest for further ways to conduct EU and Russia’s relations will inevitably activate the following issue: how does the EU interpret the Common Foreign and Security Policy when it concerns not Third World countries but a neighbouring country which is showing seeds of democracy and which claims to be a regional superpower? Russia is the country where EU member states have demonstrated dominance of national interests over EU interests. If foreign policy pursued by individual countries is not of great importance with regard to geographically distant and economically less important countries, then with regard to Russia such a policy can be short-sighted and can hamper or even endanger the effectiveness of implementing the European Neighbourhood Policy.

The EU has many challenges which are similar to those that Russia has and which it will have to take into consideration in the near future. One such similarity is connected with the EU’s global role. This union of states will also have to decide whether it wants to function as a global, regional (including neighbouring regions) or local (self-centred and self-protecting) formation of states. At present, the EU’s ambitious goals formulated in the Lisbon strategy, CFSP and ESDP have remained largely on paper (with fragmentary and accidental manifestations in economic and political processes), but fundamental decisions that entail some sacrifice on the national level have not yet been made. If these three future scenarios are viewed apart from the international context – only from the perspective of the interests of member states – then none of them are a threat to the EU. However, the situation can change if the possible ways of EU development come into conflict with events taking place on the international scene. We can only hope that the following scenario does not come to pass: Russia decides to become a global player (by using its energy resources and its strategic partnerships in the Asian region), but the EU continues to implement measures for protecting the domestic market and episodically gets involved in global events. Nor would the situation be salvaged by the EU’s desire to retain the status of a regional player because in that case Russia, by using the “energy dialogue”, could play a double game on a multilateral and bilateral level, thus splitting the EU from inside with the help of its member states. Russia has been very successful in applying the principle of “divide and rule” in politics. One of the most striking examples is Vladimir Putin’s visits to the Czech Republic and Hungary in March 2006, which clearly showed that these countries have been granted a special privileged status among post-communist countries because these countries exhibited no quest for principles of historical justice and no interference with Russia’s sphere of interests, i.e., in Ukraine, Moldova and Belarus. Such tactics were implemented in the beginning of the 1990s in the Baltic States. At that time, Lithuania was considered a model student, as demonstrated by the fact that Russian troops were withdrawn from Lithuania a year earlier than from Estonia and Latvia.

The EU has to make another decision with regard to the European Neighbourhood Policy. This decision could be characterized by the following question: are member states ready for the last liberstan? The EU’s circle of neigh-

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3 Interfax, 16.02.2006.
5 The term “liberstan” is used by Leon Aron, director of Russian studies at the American Enterprise Institute, to designate three countries – Ukraine, Georgia and Kyrgyzstan – which are the last ones to demonstrate, with the help of free elections, their readiness to join the community of democratic countries.
bours is very broad and includes Africa, the Middle East and the Balkans. Countries of the former USSR are only a part of a broader circle of EU’s interests. It is surprising that neither the country of the Orange Revolution nor its neighbouring countries were designated as ENP priorities for 2006. It is in Latvia’s own interests, as well as in the interests of these countries, that EU does not reduce its presence and participation in this region since such an action could retard the pace of reforms and decrease the support of society if the results of reforms cannot be felt. The caution shown by the EU in the Balkans at the beginning of the 1990s has cost dearly not only Europe but the whole world. Under current circumstances, the democratic community may lose these countries for a long time if a fragmentary and short-term EU policy is implemented. Taking into consideration the overlapping of interests of both Russia and EU member states in Eastern Europe, it is important for the EU to clearly define its position. Therefore, I am surprised by the level of caution exhibited by EU officials in addressing issues of ENP. Dziutra Bungs in her article quotes a statement by Marc Franco, head of the European Commission delegation in Russia, in which he acknowledges that Russia has legitimate interests in CIS territory, and the EU also has its own interests. It is more important to keep in mind that both players have legitimate interests and that none of them have exclusive rights in this region.

The study by LIIA includes an article on Belarus prepared by Ruslans Osipovs. This country is the biggest challenge for both researchers and politicians. Belarus is a country in which the Orange Revolution created an effect opposite to what was expected – the more dynamic the democratization processes in a former territory of the USSR, the more repressive and authoritative the political regime. In fact, for ten years Belarus has been a serious test for EU member states with regard to effectiveness of their foreign policy. Doubts are not caused by increasingly frequent statements about the last dictatorship in Europe but rather by the fact that the EU has ignored the formation and consolidation of such a regime in its neighbourhood. The phrase expressed in the main document of the ENP that the EU will address Belarus in greater detail after its democratic transformation is indicative of the EU’s simplistic approach to complex problems. Osipovs draws the readers’ attention to the complexity of the situation by seeking answers to why this country has not joined the group of liberstan. Answers are sought in divisions within the opposition, the lack of a charismatic leader, the inherited post-Soviet mentality and psychological peculiarities. However, in my opinion, the excessive attention that the West is paying to strengthening and activating the opposition does not really address the main question: why is Lukashenko’s regime so stable and why, despite an increasingly active opposition, does it still enjoy the support of society? Unfortunately, answers to this question have not been sufficiently searched. There are no studies about the distinctive features of the economic and social policies in Belarus, its specific administrative structures, society’s attitude towards the existing regime and towards changes in Belarus’s neighbouring countries, as well as other important aspects. The issue is still open: what will be the future course of events in the country if the opposition eventually wins the presidential elections – is it ready to govern the country and how will it cope with the regressive administrative system and, possibly, with opposition by a large part of society? If analysts have no doubts about the opposition’s determination, then concerns are caused by the determination of Western countries to permanently support Belarus in case of a possible open confrontation. This question arises because of the fact that during the last ten years EU member states, wishing to demonstrate their attitude towards the non-democratic regime in Belarus, have isolated the country and have lost channels and means of influence; thus, EU member states were not involved in processes taking place in the country but had to observe them from the outside. The presidential election in Belarus proves that society gradually wants to restore democracy in the country. At this moment, it is particularly important to provide support and to implement concrete programmes supporting democratization. In all the countries covered by this study – Belarus, Moldova, Ukraine, as well as Russia – there have been several flashes of democratization since the beginning of the 1990s; however, because of political and economic circumstances, they have suffered failure. Therefore, it is important to support these countries right now in order to make the initiated transformation process irreversible because this might be the last chance for these countries and also for the EU. If democratization in the countries affected by the Orange Revolution fails, the ENP will also fail.